

S
353
L73ba
1993
V.2

Montana.
Legislature.
Office of the
Budget analysis,
1993 biennium,
presented to the
52nd Legislature

V. 2

BUDGET ANALYSIS 1993 BIENNIUM VOL. II

PLEASE RETURN

STATE DOCUMENTS COLLECTION

JAN 31 1991

MONTANA STATE LIBRARY
1515 E. 6th AVE.
HELENA, MONTANA 59620



OFFICE OF THE LEGISLATIVE FISCAL ANALYST

HELENA, MONTANA • JANUARY 1991



Montana State Library



3 0864 1004 7218 5

BUDGET ANALYSIS

1993 BIENNIUM

Presented to the 52nd Legislature

Volume II

Submitted by

The Office of the Legislative Fiscal Analyst

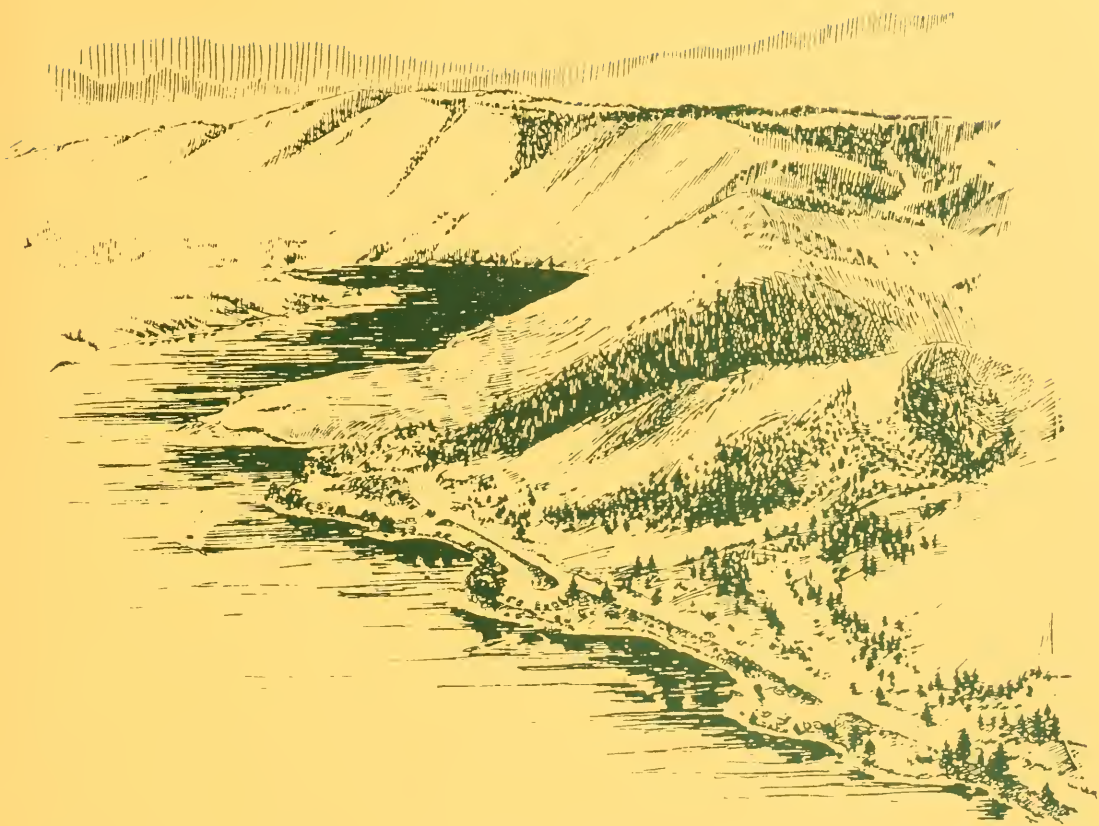
Helena, Montana

January 1991



Digitized by the Internet Archive
in 2010 with funding from
Montana State Library

<http://www.archive.org/details/budgetanalysisbi19932mont>



NATURAL RESOURCES & COMMERCE

PROPOSED REORGANIZATION OF NATURAL RESOURCE AGENCIES

Proposed Reorganization of Natural Resource Agencies

The Executive Budget includes a proposal to reorganize the Departments of Health and Environmental Sciences, Natural Resources and Conservation, and State Lands. It presents the 1993 biennium budgets for these agencies based on the proposed reorganization.

Following is a discussion of fiscal issues related to the proposed reorganization. No programmatic analysis of the proposed agency structure has been undertaken due to time limitations.

Transfer of Programs

The Executive Budget proposal would transfer environmental programs from the Department of Health and Environmental

Sciences (DHES) (which would become the Department of Public Health - DPH), as well as the Reclamation Division from the Department of State Lands (DSL), to the Department of Natural Resources and Conservation (DNRC) to create the Department of Natural Resources and the Environment (DNRE). DNRE would transfer the Conservation and Resource Development Division, the Engineering Bureau of the Water Resources Division, and state-owned water projects to DSL. DSL would also assume administrative responsibilities for the 19 dams currently administered by the Department of Fish, Wildlife, and Parks (DFWP) and for the Fire Services Training School, which would be merged with the Fire Management Bureau. The Fire Services Training School is currently overseen by the Board of Regents.

The following table shows the transferred programs.

Table A
Programs Transferred - Proposed Reorganization
1993 Biennium

----- Programs Transferred In -----

<u>DHES</u> <u>(DPH)</u>	<u>DNRC</u> <u>(DNRE)</u>	<u>DSL</u>
None	From DHES: Env Sci Div Administration Air Quality EIS/Variance Review Solid/Hazardous Waste Water Quality	From DNRC Engineering Bureau State Water Projects Conservation & Rsrc Dev
	From DSL Reclamation (Mining) Div	From FWP Administration of FWP Dams
		From Board of Regents Fire Services Training School

All programs are transferred in their entirety. In addition, 5.0 FTE support staff from DHES and 1.0 FTE support staff from DSL would be transferred to DNRC.

Table B shows the transfer of current level funding and FTE (as included in the Executive Budget) among the five impacted agencies in the 1993 biennium.

PROPOSED REORGANIZATION OF NATURAL RESOURCE AGENCIES

Table B
Flow of Costs in Proposed Reorganization
1993 Biennium

<u>Department</u>	<u>FTE</u>	<u>Total Funds</u>
Health & Env Sciences	(130.03)	\$(29,251,808)
Natural Resources & Conservation	136.03	45,424,155
State Lands	(2.00)	(15,741,906)
Fish, Wildlife & Parks*	0	0
Board of Regents	(4.00)	(416,189)

* Administration of the FWP dams is included in a modified budget.

<u>Additional Costs</u>	25.37 FTE higher for these three agencies than the LFA current level. In addition, the Executive Budget includes budget modifications for 91.52 new FTE and \$28.3 million for these agencies.
The proposed reorganization will not save money or reduce FTE. In fact, as Table C shows, the Executive Budget current level is \$31.76 million and	

Table C
Proposed Reorganization
LFA Current Level - Executive Budget
1993 Biennium

----- Current Level Allocations -----						
--LFA--			-----Executive-----			
-Current Level-			-Current Level-		-Budget Modifications--**	
<u>Agency</u>	<u>FTE</u>	<u>Total Funds</u>	<u>FTE</u>	<u>Total Funds</u>	<u>FTE</u>	<u>Total Funds</u>
DNRC (DNRE)	250.20	\$ 23,164,136	393.23	\$ 82,942,743	58.12*	\$ 9,792,604
DHES (DPH)	291.85	61,639,753	172.07	44,994,578	20.00	7,834,984
DSL	<u>332.57</u>	<u>42,689,554</u>	<u>334.69</u>	<u>31,314,599</u>	<u>13.40+</u>	<u>10,699,676</u>
Total	874.62	\$127,493,443	899.99	\$159,251,920	91.52	\$28,327,264

* 60.5 FTE in fiscal 1993

**Represents the reorganization and will not match the modified budget tables in the individual agency narratives.

+ 18.18 FTE in fiscal 1993

The Executive Budget identifies several "one-time" and ongoing costs resulting

from the reorganization. The proposed reorganization also involves several

PROPOSED REORGANIZATION OF NATURAL RESOURCE AGENCIES

funding shifts and may cause significant changes in the indirect costs assessed in each agency for centralized functions.

One-Time Costs

The following table shows one-time costs of the reorganization identified in the Executive Budget.

Table D
One-Time Expenses
1993 Biennium

DNRE	
General Fund ¹	\$ 15,000*
Federal Funds ²	<u>34,300</u>
Total	\$ 49,300
DSL	
General Fund ³	\$148,724*
Federal Funds	<u>16,550*</u>
Total	\$165,274
Total One-Time Costs	<u>\$214,574</u>

*Included in Modified Budgets.

¹Move Commerce from DNRC Bldg.

²Costs Assoc. with Assuming Reclamation

³Costs Assoc. with Assuming State Water Projects and Conservation and Resource Div.

On-Going Cost Increases

The Executive Budget has identified \$192,800 in ongoing costs for the

biennium in the Department of State Lands due to the transfer of State Water Projects and the Conservation and Resource Development Division from the Department of Natural Resources and Conservation. These increased costs include data processing, code and rule revisions, rent, and consulting, as well as a position upgrade due to an increase in responsibilities. The increased costs are funded with \$87,000 of general fund, \$80,800 of state special revenues, and \$25,000 of federal funds.

Funding Shifts

Funding shifts will occur in both current level and modified budgets in centralized services functions of the proposed departments of Public Health, Natural Resources and the Environment, and State Lands. For a further discussion see "Indirect Costs" below. In addition the Reclamation Division currently provides \$75,748 of rent for DSL, entirely funded with federal funds. The Executive Budget includes an additional \$90,000 over the biennium to replace rent lost when Reclamation moves to DNRC. The new rent would be funded with state special revenue.

Indirect Costs

Each agency involved in the proposed reorganization has centralized functions (such as mail service, accounting, personnel, and the director's office) that provide services to all programs. Table E shows total funding of centralized services in the proposed Departments of Public Health, Natural Resources and the Environment, and State Lands.

PROPOSED REORGANIZATION OF NATURAL RESOURCE AGENCIES

Table E
Centralized Functions Under Reorganization
Executive Budget Current Level Funding
1993 Biennium

<u>Fund Source</u>	<u>Public Health</u>	<u>DNRE</u>	<u>DSL</u>	<u>Total</u>
General Fund	\$ 0	\$2,864,584	\$1,928,273	\$4,792,857
State Special	0	506,884	1,126,497	1,633,381
Federal	0	241,391	71,361	312,752
Proprietary	<u>1,659,916</u>			<u>1,659,916</u>
Total	\$1,659,916	\$3,612,859	\$3,126,131	\$8,398,906

Because these centralized functions typically do not have dedicated funding sources, they are funded through assessments against other programs that use the services. The purpose of the assessments (indirect cost) is to ensure that all programs (and all funding sources) contribute to the support of these centralized functions. A determination is made as to which of the centralized services costs are to be allocated, a method of allocation is developed, and an indirect rate is determined to accomplish the allocation.

There is no uniform method of determining which costs should be shared among programs, the appropriate indirect cost rate, or the mechanism by which the funds collected through indirect cost assessments will be spent. Each of the agencies included in the proposed reorganization sets its indirect costs in a different manner. However, if the agency receives federal funds, the federal government must agree to the indirect cost method used. DHES negotiates a rate with the federal government on personal services costs and applies that rate to all funding sources. Funds collected are deposited in an indirect cost account, from which all centralized functions are funded. DNRC negotiates an indirect rate with the federal government to apply against federal funds. Indirect cost collections are then deposited to the general fund. Assessments against state

special revenue sources are internally determined and used to fund centralized services. In DSL, state special revenue funds are directly appropriated to centralized services, while federal funds indirect costs (which also contribute to the funding of centralized services) are deposited to an indirect cost account from which expenditures for centralized services are made.

In determining funding for the reorganized agencies, the Executive Budget made assumptions concerning how much of each fund type would be available to fund centralized services and how those funds would be applied. For example, the Executive Budget assumes that federal and state special indirect costs on the environmental programs currently in DHES will continue to be collected at DHES's current negotiated rate. However, because the current indirect cost structure is a function of how the agency is currently configured and the current agreement with the federal government, that rate structure will probably change if the programs are transferred.

Determining the funding of centralized services in each agency under the proposed reorganization will require renegotiation with the federal government concerning methodology to determine what costs should be shared and the appropriate federal share of those costs. Therefore, actual funding

PROPOSED REORGANIZATION OF NATURAL RESOURCE AGENCIES

will not be known until these negotiations are completed. Consequently, funding for the \$8.4 million of centralized service functions in the three reorganized programs may be

significantly different than presented in the Executive Budget. If indirect cost rates for federal funds decrease, state fund (general, state special, or proprietary) support will have to increase.

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

DEPARTMENT OF STATE LANDS

Budget Item	Executive Current Level		LFA Current Level		Executive Over (Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	334.69	334.69	332.57	332.57	2.12
Personal Services	9,361,527	9,357,455	9,221,260	9,217,248	280,474
Operating Expenses	5,049,397	4,049,417	6,268,876	6,255,384	(3,425,446)
Equipment	927,040	591,415	592,811	601,311	324,333
Capital Outlay	311,000	311,000	5,001,332	5,001,332	(9,380,664)
Local Assistance	95,000	95,000	0	0	190,000
Grants	451,089	451,089	265,000	265,000	372,178
Transfers	132,000	132,000	0	0	264,000
Debt Service	85	85	0	0	170
Total Agency	\$16,327,138	\$14,987,461	\$21,349,279	\$21,340,275	(\$11,374,955)
<u>Fund Sources</u>					
General Fund	4,807,327	4,808,296	8,251,841	8,271,453	(6,907,671)
State Revenue Fund	10,698,461	9,359,818	4,255,367	4,228,899	11,574,013
Federal Revenue Fund	600,973	601,208	8,652,459	8,652,191	(16,102,469)
Proprietary Fund	220,377	218,139	189,612	187,732	61,172
Total Funds	\$16,327,138	\$14,987,461	\$21,349,279	\$21,340,275	(\$11,374,955)

Executive Budget Comparison

The Executive Budget current level is \$11.37 million less for the 1993 biennium than the LFA current level budget. The major reasons for this large difference are: 1) the proposed executive reorganization; and 2) differences in current level operating expenses. The proposed reorganization is discussed below. Following that section is a comparison of the Executive Budget and LFA current levels excluding the impacts of the proposed reorganization.

Proposed Reorganization

The Executive Budget proposes to reorganize the Department of State Lands. Under this plan, the Reclamation Division and a portion of the Central Management Division would be transferred to the new Department of Natural Resources and Environment. The department would gain three additional functions: 1) Conservation and Resource Development; 2) Water Projects; and 3) the Fire Services Training School. Table A shows the net impact of these changes on FTE and expenses as contained in the Executive Budget current level.

DEPARTMENT OF STATE LANDS

Table A
Department of State Lands
1993 Biennium Reorganization

<u>Function Transferred</u>	<u>Transfers In</u>		<u>Transfers Out</u>		<u>Net Change</u>	
	<u>FTE</u>	<u>Expenses</u>	<u>FTE</u>	<u>Expenses</u>	<u>FTE</u>	<u>Expenses</u>
Reclamation Division*		\$ 0	42.00	\$22,427,705	-42.00	\$(22,427,705)
Central Management		45,000	1.00	37,609	-1.00	52,391
Conservation & Res. Dev.	20.00	2,855,234	0.00	0	20.00	2,855,234
Water Projects	17.00	3,361,985	0.00	0	17.00	3,361,985
Fire Training School	4.00	416,189	0.00	0	4.00	416,189
Total	41.00	\$6,723,408	43.00	\$22,389,566	-2.00	\$(15,741,906)

* The amount leaving DSL is \$75,748 greater than Reclamation's budget in DNRE.

Current Level Comparison

The LFA current level includes all programs currently within the Department of State Lands. When adjusted for the impacts of reorganization, the Executive Budget's current level is \$4.37 million

higher than the LFA current level. Table B provides a comparison of the Executive Budget current level (with adjustments to eliminate the impacts of the reorganization) with the LFA current level.

Table B
Department of State Lands
Current Level Comparison Without Reorganization Impacts
1993 Biennium

<u>Program</u>	<u>Executive Request</u>		<u>LFA Current Level</u>		<u>Over/(Under) LFA</u>	
	<u>FTE</u>	<u>Expenses</u>	<u>FTE</u>	<u>Expenses</u>	<u>FTE</u>	<u>Expenses</u>
Central Mgn.	33.22	\$ 3,793,507	33.22	\$ 3,588,269	0.00	\$ 205,238
Reclamation	42.00	22,427,705	39.00	18,934,273	3.00	3,493,432
Land Admin.	28.62	1,965,766	28.50	1,908,465	0.12	57,301
Forestry	232.85	\$18,869,527	231.85	18,258,547	1.00	610,980
Agency Total	336.69	\$46,980,757	332.57	\$42,689,554	4.12	\$4,366,951

The major differences between the Executive and LFA current level budgets are discussed below.

Issues

Consulting and Professional Services

Consulting and professional services are \$3,225,605 higher in the Executive Budget, which used the fiscal 1991 appropriation as its base, but made significant upward adjustments. For

DEPARTMENT OF STATE LANDS

example, in the Reclamation Division, the Executive Budget includes \$2,237,320 for the biennium above the fiscal 1991 appropriation. These amounts are far above fiscal 1990 expenditure levels, which form the base of the LFA current level.

While the Open Cut Bureau (in the Reclamation Division) was appropriated \$50,000 for the 1991 biennium to spend reclamation bond forfeiture proceeds, none was spent. The Executive Budget includes \$100,000 for the biennium in reclamation bond forfeiture expenditures for this program. The Hard Rock Bureau was appropriated \$150,000 for the 1991 biennium to spend reclamation bond forfeiture proceeds, \$47,475 of which was spent. The Executive Budget includes \$400,000 in reclamation bond forfeiture expenditures for the biennium, an increase of \$352,525 above the LFA current level and the amount expended in fiscal 1990.

Vacant Positions

The LFA current level eliminates 3.00 FTE in the Reclamation Division, .12 FTE in the Land Administration Division, and 1.00 FTE in the Forestry Division that have been vacant much of the 1991 biennium. The total biennial cost savings is \$261,451.

Federal Fire Reimbursements

The Executive Budget contains \$200,000 of federal fire reimbursement transfer authority. This authority is used to spend funds reimbursed by federal agencies for DSL's assistance in fire suppression. The 1989 legislature appropriated \$100,000 per year, of which \$99,607 was spent in fiscal 1990. The LFA current level does not include this transfer authority, since it can be added through the budget amendment process should these federal fire reimbursements become available.

Fixed Costs

Biennial fixed costs are \$50,704 higher in the Executive Budget, of which

\$41,212 is for increased insurance and bond costs. The LFA current level includes the amount specified by the Department of Administration, Tort Claims Division.

Equipment

Biennial equipment requests in the Executive Budget are \$34,418 greater than the LFA current level. The LFA current level reflects historical expenditure levels in the Forestry Division resulting in a difference of \$21,318. Equipment in all other programs is budgeted at the agency's request with the exception of a \$8,500 helicopter mover and \$4,600 for additional computers which are not included in the LFA current level.

Funding

New Fees

The Executive Budget includes \$830,000 of funding for the Forestry Division from new taxes and fees: 1) \$740,000 of additional fire protection taxes; and 2) \$90,000 in additional state timber stumpage fees. Legislative approval is required to levy and collect these new taxes and fees.

Funding Switch

The Executive Budget uses \$7.5 million of revenue earned from state school lands to fund the agency budget. (The Executive Budget calls this revenue "trust land administration funds".) As Table C shows, \$6.8 million of this trust land administration revenue is used to fund current level operations that are supported by general fund during the 1991 biennium. An additional \$0.7 million is used to fund budget modifications that would add 18.18 new FTE to the department. As discussed below, this proposed funding switch does not save general fund and raises constitutional issues.

DEPARTMENT OF STATE LANDS

Table C
Proposed Trust Land Administration Funding
1993 Biennium

Program	Current Level	Budget Modification	Total	Percent of Division Funding
Central Management	\$ 469,378	\$ 67,241	\$ 536,619	11.2%
Land Management	1,447,249	551,867	1,999,116	7.9
Forestry	<u>4,882,350</u>	<u>86,640</u>	<u>4,968,990</u>	<u>24.7</u>
Agency Total*	\$6,798,977	\$705,748	\$7,504,725	13.6%

*Agency total includes proposed reorganization.

The Organic Act, passed by Congress in 1864 to create the Territory of Montana, reserved two sections of every township in the territory for the support of public schools. The Enabling Act, granting Montana statehood in 1889, specified that these sections were to be held in trust for support of common schools. Montana's constitution requires that certain revenues earned from these state lands be deposited in a public school trust, which "shall forever remain inviolate, guaranteed by the state against loss or diversion." The constitution requires that 5 percent of the interest earned from this trust and from "all rent received from the leasing of school lands" be reinvested in the public school trust. The remaining 95 percent of interest and rent (income) from school lands is to be deposited in the school equalization account (SEA) to help fund the school foundation program (Article X, section 5).

The Department of State Lands is proposing legislation diverting up to 10 percent of the 95 percent of interest and income earned from school lands from the SEA to a trust land administration account. This revenue would be used to fund the department's costs of administering state trust lands, instead of being deposited in the SEA. The actual percentage diverted in any year would depend on the amount appropriated from the trust land administration account.

The executive offers the following arguments in favor of this diversion: 1) ten other western states use trust revenues to finance trust management activities; and 2) because of competition for general fund dollars, another funding source is needed to enable the state to comply with its fiduciary responsibility to develop state lands.

Assuming passage of this legislation, the Executive Budget proposes using the full 10 percent (\$7.5 million during the 1993 biennium) of trust land revenue to fund DSL's budget. This funding switch does not reduce general fund expenditures, since: 1) it reduces revenue to the SEA by a like amount; and 2) the SEA will have insufficient revenue to fund the school foundation program. The Executive Budget includes a transfer of \$240.8 million of general fund to SEA during the 1993 biennium. Thus, the Executive Budget trust land administration proposal simply reduces general fund costs in DSL and increases them in the school foundation program.

This bill would also impact other state agencies' budgets since it proposes to divert up to 10 percent of the income from the following additional sources for deposit in the trust land administration account: 1) capitol building grant revenues; 2) trust funds for the School for the Deaf and Blind and Pine Hills; and 3) university units' trust funds.

DEPARTMENT OF STATE LANDS

In most cases, diverting revenue from these sources will impact the general fund. Part of the capitol land grant funds are deposited in the general fund to pay debt service on bonds. Diverting 10 percent to the trust land administration account would, thus, reduce general fund revenue. Trust income at the School for the Deaf and Blind and Pine Hills is used to reduce general fund costs, so any reduction in income increases general fund costs. The university units generally use income from their trusts to retire outstanding bonds.

This proposed use of interest and income from school trust land also raises constitutional issues, since Montana's constitution requires that these funds be distributed 5 percent to the public school trust and 95 percent to SEA. In proposing this legislation, DSL cites an Attorney General's opinion that upheld a law passed by the 1967 legislature authorizing the State Land Board to use up to 2.5 percent of the income (not including the interest) from school

trust land for use in developing state lands. In August 1990, DSL sought an Attorney General's opinion on whether the proposal to expand the diversion of this income to fund the agency's operations was constitutional. The Attorney General declined to issue an opinion on the question. In recognition that constitutional questions may arise, DSL's bill includes a clause appropriating general fund to replace trust land administration funds in the agency budget in the event the law is declared invalid.

Executive Budget Modifications

In addition to the \$46,980,757 current level for the biennium, the Executive Budget contains 22.02 FTE in fiscal 1992, 29.18 FTE in fiscal 1993 and \$3,102,790 in modified budget requests for the Department of State Lands. These budget modifications are listed in the following agency narrative and discussed in more detail in program narratives.

DEPARTMENT OF STATE LANDS

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	328.92	336.69	332.57	332.57	-4.12
Personal Services	8,037,296	9,121,217	9,221,260	9,217,248	7.46%
Operating Expenses	6,594,110	7,325,186	6,268,876	6,255,384	-10.02%
Equipment	879,262	614,270	592,811	601,311	-20.05%
Capital Outlay	5,420,153	5,045,000	5,001,332	5,001,332	-4.42%
Grants	<u>265,000</u>	<u>265,000</u>	<u>265,000</u>	<u>265,000</u>	.00%
Total Agency	\$21,195,821	\$22,370,673	\$21,349,279	\$21,340,275	-2.01%
<u>Fund Sources</u>					
General Fund	7,867,033	8,225,776	8,251,841	8,271,453	2.68%
State Revenue Fund	3,893,350	4,594,017	4,255,367	4,228,899	-.04%
Federal Revenue Fund	9,256,275	9,366,341	8,652,459	8,652,191	-7.08%
Proprietary Fund	<u>179,163</u>	<u>184,539</u>	<u>189,612</u>	<u>187,732</u>	3.75%
Total Funds	\$21,195,821	\$22,370,673	\$21,349,279	\$21,340,275	-2.01%

Agency Description

The Department of State Lands (DSL) has four basic functions: 1) management of the lands held by the state in trust for the support of the common schools and other institutions; 2) regulation of mining conducted on private, state, and federal lands; 3) fire prevention and suppression on certain private, state, and federal lands; and 4) regulation of and assistance to private forest land owners. The State Board of Land Commissioners, comprised of the Governor, State Auditor, Attorney General, Superintendent of Public Instruction, and the Secretary of State, is the head of the department and exercises the general authority, direction, and control over the care, management, and disposition of state lands under its administration. Section 2-15-3201, MCA, provides the statutory authority for the department. The Commissioner of State Lands is the chief administrative officer of the board.

Current Level Budget

The agency's current level decreases 2.0 percent from the previous biennium, due primarily to decreases in operating expenses and capital outlay. One-time only operating expenditures of \$283,451

not included in current level are: 1) \$9,810 of gas and oil royalty auditor's travel; 2) \$79,500 of computerized trust land management system development; 3) \$90,000 coal and uranium federal grants; 4) \$9,849 forestry non-budgeted fire suppression costs; 5) \$400 for audit of best management practices for timber sales; 6) \$11,848 of forestry computer processing supplies; 7) \$15,000 development cost for the forestry fire protection assessment computer system; and 8) \$67,044 of federal fire reimbursement expenses. In addition, contracted services decreased \$30,197 per year, reflecting lower agency requests. Other decreases in fiscal 1990 operating expenditures are insurance and bonding, payroll service fees and audits. The 20.1 percent decrease in equipment is largely based on the agency's request in all programs except Forestry, which includes equipment at historical expenditure levels. Current level capital outlay reflects: 1) the \$5,000,000 historical level for abandoned mine reclamation rather than actual fiscal 1990 expenditures; and 2) actual fiscal 1990 capital outlay in the land administration program. Statutorily required state equalization payments to counties are included in the grant category at levels recommended in the Executive Budget.

DEPARTMENT OF STATE LANDS

The personal services increase is due primarily to vacancy savings occurring in fiscal 1990 and the fiscal 1991 pay plan increase that is continued into the 1993 biennium. Several positions which were vacant much of the 1991 biennium were eliminated from the current level budget: 3.00 FTE in the Reclamation Division; 0.12 FTE in the Land Administration Division; and 1.00 FTE in the Forestry Division. Decreases from fiscal 1990 actual personal services expenditures include \$161,954 forestry non-budgeted fire suppression costs and \$32,565 in federal fire reimbursement expenses.

The 2.7 percent increase in general fund is due to higher personal services expenses in all programs, some of which are funded from the general fund.

Issues

The 1989 legislature authorized an additional 31.19 FTE in fiscal 1990 and 38.96 FTE in fiscal 1991. The Forestry Division experienced the largest increase, with FTE growth of 15.54 and 22.81 in fiscal 1990 and 1991, respectively. The department is requesting an additional 22.02 FTE in fiscal 1992 and 29.18 FTE in fiscal 1993. Of this number, 12.0 FTE are requested in the Reclamation Division and 9.75 FTE in the Land Administration Division. The following table summarizes the budget modifications included in the Executive Budget. Additional information on each request is included in the program narratives.

Executive Budget Modifications 1993 Biennium

<u>Budget Modification</u>	<u>FTE FY92</u>	<u>FTE FY93</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
1. Trust Lands Access EIS	0.00	0.00	\$300,000	\$0	\$300,000
2. Helena Office Support Staff	2.00	2.00	\$0	\$100,043	\$100,043
3. Royalty Auditor Travel	0.00	0.00	\$0	\$20,938	\$20,938
4. Revised Office Lease	0.00	0.00	\$132,786	\$33,198	\$165,984
5. Reorganization Costs	0.00	0.00	\$235,724	\$122,350	\$358,074
6. Coal Bureau Workload	3.58	5.00	\$0	\$298,499	\$298,499
7. Hard Rock Bureau Workload	3.04	4.00	\$0	\$248,357	\$248,357
8. Environmental Compliance	3.00	3.00	\$0	\$220,358	\$220,358
9. Trust Land Management	4.25	6.75	\$0	\$361,637	\$361,637
10. Federal Farm Program Admin.	2.00	3.00	\$0	\$190,230	\$190,230
11. State/County Coop. Fire	0.50	1.08	\$86,723	\$43,357	\$130,080
12. Forestry Road Maintenance	0.00	0.00	\$0	\$90,000	\$90,000
13. Block 5 & Philipsburg Fire	2.65	3.35	\$139,194	\$69,596	\$208,790
14. Best Management Practices	1.00	1.00	\$12,200	\$36,600	\$48,800
15. Forestry Capital Equipment	<u>0.00</u>	<u>0.00</u>	<u>\$190,126</u>	<u>\$170,874</u>	<u>\$361,000</u>
Total	22.02	29.18	\$1,096,753	\$2,006,037	\$3,102,790

CENTRAL MANAGEMENT PROGRAM

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	32.50	32.50	33.22	33.22	.72
Personal Services	946,901	985,776	1,025,809	1,025,370	6.13%
Operating Expenses	598,658	591,684	489,753	483,837	-18.21%
Equipment	34,855	21,000	12,500	21,000	-40.02%
Grants	<u>265,000</u>	<u>265,000</u>	<u>265,000</u>	<u>265,000</u>	.00%
Total Program	\$1,845,414	\$1,863,460	\$1,793,062	\$1,795,207	-3.25%
<u>Fund Sources</u>					
General Fund	1,382,592	1,381,531	1,378,021	1,386,308	.01%
State Revenue Fund	139,984	171,500	81,754	77,492	-48.88%
Federal Revenue Fund	143,675	125,890	143,675	143,675	6.60%
Proprietary Fund	<u>179,163</u>	<u>184,539</u>	<u>189,612</u>	<u>187,732</u>	3.75%
Total Funds	\$1,845,414	\$1,863,460	\$1,793,062	\$1,795,207	-3.25%

Program Description

The Central Management program provides administrative and operational support services to all programs within the department. Support services include fiscal affairs, data processing, personnel, legal, reception, mail, and aviation. Responsibilities include trust revenue collection and distribution; oil, gas, and coal royalty audits; and maintenance of ownership records for trust and non-trust state-owned land.

Current Level Budget

The program's current level decreases 3.3 percent from the previous biennium due primarily to an 18.2 percent decrease in operating expenses. Fiscal 1990 operating expenses of \$79,500 for development of a computerized trust land management system is not included in current level. Other decreases include lower audit fees, lower insurance and bonding costs in the aviation program, and the deduction of the gas and oil royalty auditor's travel expenses, which the 1989 legislature stipulated were not to be included in the 1993 biennium budget base. The increase in personal services is due to vacancy savings in fiscal 1990 and the fiscal 1991 pay plan increases which will continue in the

1993 biennium. In addition, the agency has transferred 0.72 FTE from the Forestry program to this program. Most of the agency's equipment request, which includes 12 new computers, is included in the current level. Funds for a helicopter mover are not included.

The program is funded with general fund, resource development funds, federal indirect grant reimbursements, and a proprietary fund. The resource development fund, which receives up to 2.5 percent of the income generated by state trust lands, finances the trust land management system, one-half of the \$11,000 yearly travel cost of the oil and gas royalty auditor, and other program costs. The aviation program's direct costs, such as fuel and maintenance, are financed from the proprietary fund while its fixed costs are paid with general fund. The slight increase in general fund in the 1993 biennium is due to higher personal services costs, which are funded primarily with general fund. The decrease in state special revenue reflects lower operating costs in the trust land management system program.

CENTRAL MANAGEMENT PROGRAM

Executive Budget Modifications

Trust Lands Access EIS

The Executive Budget includes \$300,000 for the biennium from the general fund to develop an environmental impact statement (EIS) on the social, economic, and environmental impacts of allowing public access to state lands for recreational opportunities.

Helena Office Support Staff

The Executive Budget includes an additional \$100,043 and 2.0 FTE for the biennium funded by one-third trust land administration revenue and two-thirds reclamation and development funds. Because of the current low ratio of clerical staff to professional staff, the department states that it is experiencing low productivity and high employee turnover. The data processing staff of two is currently supporting the 125 microcomputer workstations and mainframe applications used by the department. Additional staff would provide support for computer maintenance, training, and assistance. In addition, the requested staff would allow work to begin on several new functions authorized by the last legislature on the computerized trust land management system: 1) land evaluation, 2) land inventory, 3) development, and 4) land classification. The 1989 legislature appropriated \$166,000 per year during the 1991 biennium for the trust land management system. In fiscal 1990, the department spent a total \$135,673 on this system.

Royalty Auditor Expense

The Executive Budget includes \$20,938 for the biennium from the state lands resource development account to continue funding travel expenses of a royalty auditor located in the Department of Revenue. Under a memorandum of understanding, the Department of Revenue pays the salary of this auditor and DSL pays the operational expenses. The 1989

legislature authorized an additional appropriation of \$11,000 per year for this auditor's travel costs. Of this amount, \$4,309 was expended in fiscal 1990. Language included in the 1989 appropriations bill required that travel costs for this auditor not be included in the 1993 biennium budget base. DSL also has another royalty auditor, funded solely by the department. These royalty auditors examine taxpayers' accounting records, located primarily in the larger cities throughout the U.S., to determine whether appropriate royalties on the gross value of gas, oil, and coal extracted from school trust lands has been collected and deposited in the common school trust.

Revised Office Lease

The Executive Budget includes an additional \$165,984 for the biennium from the general fund and trust land administration revenue to rent additional office space. The additional 10,080 square feet would be rented in the same building currently occupied by the department's central office to alleviate overcrowding and allow for the filling of positions which the department says cannot now be filled due to lack of space.

Reorganization Costs

The Executive Budget includes \$358,074 for the biennium from general fund, state special revenue, and federal funds for one-time and continuing costs associated with the proposed reorganization of the department. One-time costs of \$165,274 in fiscal 1992 include: 1) data processing; 2) office equipment; 3) increased engineering costs; 4) word processing; and 5) miscellaneous costs. Continuing costs of \$96,400 each year of the biennium include: 1) rent increase; 2) printing; 3) waste water consulting; 4) position upgrade; 5) legal services; and 6) miscellaneous. The rent increase is for the Reclamation Division's share of the increased office space rent requested in the previous budget modification.

RECLAMATION PROGRAM

meet the demands of existing workload and an expected workload increase in the 1993 biennium. The department anticipates receiving an increase in federal grant funds. The additional FTE requested include two hydrologists, one civil engineer, one vegetation specialist, and one computer statistician. These positions would allow the Coal Bureau to complete reviews of permit applications and application amendments, process bond release applications, and evaluate environmental baseline and monitoring data. The FTE difference between the two fiscal years is due to anticipated late hiring in fiscal 1992.

Hard Rock Bureau Workload

The Executive Budget includes \$248,357 for the biennium, 3.04 FTE for fiscal 1992, and 4.0 FTE for fiscal 1993 funded from reclamation and development funds to meet the demands of existing workload and an expected workload increase in the 1993 biennium. The additional FTE requested include one records manager, one hydrologist, one mining/civil engineer, and one attorney. These posi-

tions would allow the Hard Rock Bureau to review applications for new mines, review application amendments, and monitor mining activity at permitted mines. The FTE difference in the two fiscal years is due to anticipated late hiring in fiscal 1992.

Environmental Compliance

The Executive Budget includes an additional \$220,358 and 3.0 FTE for the biennium from the DSL environmental impact statement special state revenue account. The request would fund 1.0 FTE to provide department-wide guidance on the applicability, preparation, and distribution of environmental analyses (EA) and environmental impact statements (EIS) required under the Montana Environmental Policy Act (MEPA) and provide consistency in the interpretation and implementation of MEPA and the National Environmental Policy Act. The other 2.0 FTE are requested to handle the workload of the environmental analysis program, providing a core staff to manage preparation of EA's and EIS's and relieve technical staff of these duties.

LAND ADMINISTRATION PROGRAM

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	28.12	28.62	28.50	28.50	- .12
Personal Services	624,974	777,560	785,707	784,616	11.96%
Operating Expenses	152,037	162,979	149,012	148,266	-5.63%
Equipment	77,913	19,100	19,100	19,100	-60.62%
Capital Outlay	<u>1,332</u>	<u>45,000</u>	<u>1,332</u>	<u>1,332</u>	<u>-94.25%</u>
Total Program	\$856,256	\$1,004,639	\$955,151	\$953,314	2.56%
<u>Fund Sources</u>					
General Fund	621,851	709,155	705,526	703,866	5.89%
State Revenue Fund	<u>234,405</u>	<u>295,484</u>	<u>249,625</u>	<u>249,448</u>	<u>-5.82%</u>
Total Funds	\$856,256	\$1,004,639	\$955,151	\$953,314	2.56%

Program Description

The Land Administration program is responsible for leasing the surface and mineral resources for the benefit of Montana's public schools and other endowed institutions. This program oversees the appraisal and reclassification of all state lands to obtain the greatest revenue for the trust funds commensurate with the preservation of the resource. This program includes the Surface Management Bureau, the Minerals Management Bureau, and the Resource Development Bureau. Beginning in the 1993 biennium, the Resource Development program's duties and responsibilities will be in this program.

Current Level Budget

The program's current level increases 2.6 percent over the previous biennium due to vacancy savings in fiscal 1990 and the pay plan increase in fiscal 1991 which continues in the 1993 biennium. Because a 0.12 FTE aggregate crop checker position has been vacant much of the 1991 biennium, it has been removed from the current level budget at a biennial savings of \$3,605. Lower operating expenses in the 1993 biennium reflect the consultant and professional services requested by the agency, which are less than fiscal 1990 actual expenditures. The agency's equipment

request, which includes two replacement vehicles and two computers, is included in the current level budget. Higher equipment expenditures in fiscal 1990 were due to the purchase of two trucks, computer equipment, and other equipment related to authorized program expansion.

While the division was appropriated \$45,000 per year during the 1991 biennium for capital outlay, only \$1,332 was spent in fiscal 1990. The department, which had anticipated the completion of several large projects during the 1991 biennium, no longer plans to undertake the projects due to limited resource and development funds.

The administration portion of this program is funded entirely with general fund, while the resource development portion is funded from the resource development account. By statute, the State Land Board can allocate up to 2.5 percent of income generated by state trust fund lands to this account. The increase in general fund is due to the increased personal services costs, which are primarily funded with general fund.

Executive Budget Modifications

Trust Land Management

The Executive Budget includes an additional \$361,637 for the biennium, 4.25 FTE for fiscal 1992, and 6.75 FTE for fiscal 1993, for this program funded

LAND ADMINISTRATION PROGRAM

from trust land administration revenue. Due to public demand for increased uses of state lands and the increased awareness of the importance of state school trust lands, the department says its needs for lease stipulations and follow-up field reviews, illegal land use investigations, and resource planning on grazing, agricultural, mineral, and special use lands have grown. In addition, the department has expanded its investigations of land exchanges, land sales, land use licenses, right-of-way easements, and other land-related issues on trust lands. The requested positions include 3.0 FTE land use specialists, 2.0 FTE for seasonal land use technicians, and 1.75 FTE clerical personnel. The FTE difference in the two fiscal years is due to anticipated late hiring in fiscal 1992.

Federal Farm Program Administration

The Executive Budget includes \$190,230 for the biennium, 2.0 FTE for fiscal 1992, and 3.0 FTE for fiscal 1993, to be funded from trust land administration revenue to facilitate involvement in federal farm programs with increased lessee participation in conservation reserve, price support, and production adjustment programs. The requested FTE include 3.0 FTE agricultural land use specialists to coordinate department federal farm program policy statewide and to work with the Agricultural Stabilization and Conservation Service and the Soil Conservation Service. The department anticipates greater revenues will be realized from lessees as a result of the additional review and coordination of these programs. The FTE difference in the two fiscal years is due to anticipated late hiring in fiscal 1992.

FORESTRY PROGRAM

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	226.30	233.57	231.85	231.85	-1.72
Personal Services	5,486,125	6,066,663	6,222,529	6,220,887	7.71%
Operating Expenses	2,512,550	2,883,884	2,426,426	2,419,197	-10.21%
Equipment	619,698	492,813	484,754	484,754	-12.86%
Total Program	\$8,618,373	\$9,443,360	\$9,133,709	\$9,124,838	1.09%
<u>Fund Sources</u>					
General Fund	5,592,033	5,819,529	5,875,021	5,888,297	3.08%
State Revenue Fund	2,498,611	3,002,526	2,807,225	2,785,149	1.66%
Federal Revenue Fund	527,729	621,305	451,463	451,392	-21.43%
Total Funds	\$8,618,373	\$9,443,360	\$9,133,709	\$9,124,838	1.09%

Program Description

The Forestry program manages state-owned forest lands held in trust for the support of education, protects the state's forest and non-forest watershed lands from wildfire, and provides technical forestry assistance to private landowners, businesses, and communities. The program is administered by the Forestry Division in Missoula which provides six main services: Fire Management provides wildfire protection to 60 million acres of state and privately-owned forest and watershed lands through prevention, pre-suppression, suppression, and county assistance programs. Forest Management manages state forest land to: 1) provide income to the various school trusts through the sale of forest products and the licensing of various special uses; 2) enhance long-term productivity; and 3) provide for other resource values such as soil, water, and wildlife. Brush Disposal provides fire hazard reduction and associated site preparation on state forest land following Forest Management program activities. Timber Stand Improvement conducts activities such as planting, seeding, thinning, tree improvement, seed collection, and seedling production that improve the composition, condition, or growth of trees on state forest lands. Tree Nursery grows, sells, and distributes tree seedlings and shrubs for conservation plantings on state and

private lands for shelterbelts, windbreaks, wildlife habitat improvement, reclamation, and reforestation. Administration of the Fire Hazard Reduction and Management (Slash) Law assures that the fire hazard created by logging and other forest management operations on private forest land is adequately reduced, or that additional protection is provided until the fire hazard is reduced to an acceptable level.

Current Level Budget

The slight increase in the program's current level is due to increased personnel services, which result from vacancy savings in fiscal 1990 and the fiscal pay plan increase which continues in the 1993 biennium. The 1.72 FTE decrease represents the transfer of 0.72 FTE to the Central Management Division, and the elimination of 1.0 FTE, which has been vacant much of the 1991 biennium. Current level personal services also decrease by \$161,964 from non-budgeted fire suppression expenditures and \$32,565 from federal fire reimbursement expenses. Operating expenses decrease below fiscal 1990 actual expenditures due to elimination of the following one-time only expenditures: 1) \$9,849 non-budgeted fire suppression costs; 2) \$400 for audit of best management practices for timber sales; 3) \$11,848 of computer

FORESTRY PROGRAM

processing supplies; 4) \$15,000 for development of a fire protection assessment computer system; and 5) \$67,044 of federal fire reimbursement expenses. In addition, insurance, bonding, and messenger costs have decreased. Inflationary adjustments of \$64,593 for the biennium have been included in the current level budget. The agency's equipment request, which includes 39 vehicles, is also included in current level.

This program is funded with general fund, state special revenue, and federal funds. State special revenues, generated from the sale of timber on state land, are used to entirely finance the timber stand improvement and brush removal programs. The price at which the state sells timber includes \$11 per thousand board feet for each of these programs. Based on initial revenue estimates, the timber stands improvement program is adequately funded. With later estimates, which show that funding is \$169,750 less, funding is insufficient and a reduction in the program may be necessary. State special revenues also include taxes provided by private forest landowners for forest fire protection. This landowner assessment is currently \$.17 per acre, with a minimum of \$14 per landowner. The department is required by statute to collect up to one-third of the fire protection costs from private landowners. Other state special revenues include the sale of nursery stock and slash removal assessments on private landowners who cut timber. Fund balance in the slash disposal account was used to offset general fund.

Issues

The 1989 legislature authorized a habitat/timber sales planning program expansion to fund a wildlife biologist to implement habitat guidelines for timber sales on state forest land and to continue training DSL employees in timber sale planning which is compatible with wildlife values and concerns. This position is jointly funded with the Department of Fish, Wildlife, and Parks (DFWP) which was authorized \$32,827 for

the 1991 biennium from their general license account to fund operation expenses. The Department of State Lands was appropriated the 1.0 FTE and \$60,638 (half of which was general fund) for the biennium to fund personal services. House Bill 100 stipulates that the Department of Fish, Wildlife, and Parks' portion of this program was not to be included in their 1993 budget base. DFWP is requesting a budget modification for \$32,500 for the biennium from the general license account to continue funding the wildlife biologist position.

Executive Budget Modifications

State/County Cooperative Fire

The Executive Budget includes \$130,080 for the biennium, 0.5 FTE for fiscal 1992, and 1.08 FTE for fiscal 1993 funded from the general fund and fire protection taxes to expand the State/County Cooperative Fire program to include Lake, Lincoln, and Sanders counties in cooperative fire control agreements with the state. From 1967 to date, the department has entered into cooperative fire protection agreements with 49 counties. The state/county agreements specify the general duties and responsibilities of each entity in fire protection and cooperation. The state provides wildland fire training and equipment to the counties for unprotected areas. The county, state, and federal agencies provide mutual aid on an as-needed basis for suppression. The FTE difference in the two fiscal years is due to anticipated late hiring in fiscal 1992.

Forestry Road Maintenance

The Executive Budget includes \$90,000 for the biennium from a proposed new fee on timber cut from state trust lands. Establishment of this account would require a statutory change to allow the Board of Land Commissioners to charge road maintenance fees as part of timber sales. As a result of timber sale activity over the years, the department has constructed approximately 2,000 miles of roads on state forest land.

FORESTRY PROGRAM

Many of these roads, which function as a permanent transportation system, require periodic maintenance in order to protect their investment value and prevent adverse environmental impacts. Currently, there is no funding source or budget for maintenance of these roads.

Block 5 and Philipsburg Fire

The Executive Budget includes \$208,790 for the biennium, 2.65 FTE for fiscal 1992, and 3.35 FTE for fiscal 1993 funded one-third from the forestry fire protection taxes account and two-thirds general fund, to assume full fire protection responsibilities for additional state and private lands in two main categories: 1) state and private forests acreage currently contracted with the U.S. Forest Service for fire protection; and 2) the new Philipsburg Forest Fire Protection District. The difference in FTE for the two fiscal years is due to anticipated late hiring in fiscal 1992.

The department currently contracts with the U.S. Forest Service for fire protection on blocks of state and private land. In exchange, the department provides protection on some federal land. There are currently 58,000 more state and private acres protected by the U.S. Forest Service than federal acres protected by the department. This budget modification allows the department to assume this final block of wildfire protection acreage which will end this acreage imbalance. Since 1984, the legislature has approved the transfer of four blocks of fire protection responsibility by the department. The majority of the land in this final transfer involves federal land in the Dillon area.

This modification also would fund the creation of the Philipsburg Forest Fire Protection District, consisting of 120,000 acres of private and state land now in the Anaconda Protection Unit. The department states that this would reduce the per acre cost of protection, increase efficiency, simplify adminis-

tration, and provide the highest level of fire protection to the area. Private landowners would pay a maximum of one-third the cost of protection through fire assessments, with the general fund providing the rest. Increased landowner assessment fees are being considered to replace general fund, but are not reflected in this modification request.

Best Management Practices

The Executive Budget includes \$48,800 and 1.0 FTE for the biennium funded one-fourth from the general fund and three-fourths from the private forestry assistance account to handle an accelerating caseload in the forest practices program. This program implements House Bill 678 (1989) which helps loggers and forest landowners avoid impacts on water quality by using best management practices (BMP). DSL foresters review harvest plans, provide BMP information, do pre-harvest field consultations on priority areas, and revisit a limited number of sites after harvest to rate BMP application and effectiveness. The additional FTE would provide mandated BMP services in conformity with department standards.

Forestry Capital Equipment

The Executive Budget includes \$361,000 for the biennium from general fund, trust land administration revenue, and fire protection taxes for new equipment. In recognition of historically insufficient funding for replacement of equipment, the appropriations subcommittee in 1989 asked the department to prepare a vehicle replacement schedule for submission to the 1991 legislature. Replacement schedules for seven classes of vehicles were developed based on either age or mileage. This modification requests one-half of the total amount for the first biennium to phase in the full biennial replacement schedule of \$721,826. Such a vehicle replacement schedule would allow the department to plan for systematic replacement of vehicles to reduce the average age of its 282 vehicle fleet.

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

Budget Item	Executive Current Level		LFA Current Level		Executive Over (Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	393.23	393.23	250.20	250.20	143.03
Personal Services	11,806,401	11,792,847	7,468,984	7,458,895	8,671,369
Operating Expenses	17,371,638	17,365,310	3,439,710	3,424,557	27,872,681
Equipment	304,545	303,936	138,300	102,064	368,117
Capital Outlay	5,000,000	5,000,000	0	0	10,000,000
Local Assistance	0	0	91,300	91,300	182,600-
Grants	1,693,098	1,693,098	441,089	441,089	2,504,018
Debt Service	58,133	58,133	33,390	33,458	49,418
Total Agency	\$36,233,815	\$36,213,324	\$11,612,773	\$11,551,363	\$49,283,003
<u>Fund Sources</u>					
General Fund	5,715,059	5,641,217	4,340,048	4,345,573	2,670,655
State Revenue Fund	10,484,996	10,561,434	6,179,571	6,112,828	8,754,031
Federal Revenue Fund	20,033,760	20,010,673	1,093,154	1,092,962	37,858,317
Total Funds	\$36,233,815	\$36,213,324	\$11,612,773	\$11,551,363	\$49,283,003

Executive Budget Comparisons

The LFA current level for the 1993 biennium is \$49.3 million less than the Executive Budget primarily due to the proposed reorganization of the Departments of Natural Resources and Conservation, Health and Environmental Sciences, and State Lands.

Reorganization

Table A shows the net impact to the Department of Natural Resources and Conservation from the proposed reorganization.

Table A
Department of Natural Resources and Conservation
Proposed Reorganization

Function Transferred	Transfers In		Transfers Out		Net	
	FTE	Expenses	FTE	Expenses	FTE	Expenses
Centralized Services*	6.0	\$ 265,726			6.0	\$ 265,726
Environmental Division	125.03	29,023,691			125.03	29,023,691
Reclamation Division	42.0	22,351,957			42.0	22,351,957
Conservation & Resource			20.0	\$2,855,234	-20.0	(2,855,234)
Water Projects			17.0	3,361,985	-17.0	(3,361,985)
Total	173.03	\$51,641,374	37.0	\$6,217,219	136.03	\$45,424,155

*1.0 FTE and \$37,527 transferred from DSL Centralized Services to DNRE Reclamation (Mining) Division.

DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

A detailed discussion of the proposed reorganization appears at the beginning of the Natural Resources and Commerce section. The following section discusses issues in the programs of the

current Department of Natural Resources and Conservation.

Table B compares LFA current level to the Executive Budget in those divisions not impacted by the reorganization.

Table B
DNRC Programs
Comparison-LFA Current Level to Executive Budget
1993 Biennium

Division	FTE			BUDGET		
	Executive	LFA	Over/Under LFA	Executive	LFA	Over/Under LFA
1. Oil & Gas Regulation	26.0	22.0	4.0	\$2,315,684	\$1,722,762	\$592,922
2. Reserved Water Rights Compact Commission	12.0	11.0	1.0	894,464	743,884	150,580
3. Energy Division	40.0	38.0	2.0	6,709,977	5,810,466	899,511

A discussion of the major differences is included in the following section.

Issues

FTE Differences

After the effects of the reorganization are removed, the Executive Budget includes a net 7.0 FTE more than the LFA current level as a result of:

- 1) LFA current level eliminates 4.0 FTE from the Underground Injection Control program; and
- 2) 3.0 FTE in Reserved Water Rights Compact Commission and Energy Division were eliminated in the LFA current level due to extended vacancy.

Underground Injection Control

The LFA current level does not include funds for the Underground Injection Control program. While the 1989 legislature authorized this program, the Oil and Gas Regulation Division has not been granted primacy for this program by the federal government and therefore, has made no expenditures or hired any staff to implement this new program.

Since the agency is uncertain when primacy will be granted, no funds for this program were included in the LFA current level. The Executive Budget contains 4.0 FTE and \$572,852 for this program.

Reserved Water Rights Compact Commission

In addition to retaining 1.0 FTE eliminated in the LFA current level, the Executive Budget includes \$46,672 for a new computer system, \$36,000 for outside professional assistance in negotiations with tribes, and \$12,035 for maintenance contracts for the proposed computer system for the Reserved Water Rights Compact Commission. Because the commission was appropriated funds for these purposes by the 1989 legislature but made no expenditures in fiscal 1990, they are not included in LFA current level.

"Cat and Dog Bills"

The Executive Budget includes continuation of several appropriations made in legislation other than the general appropriations bill by the 1989 legislature:

DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

1) \$523,810 of federal revenue for the State Building Energy Conservation Bond program in the Energy Division; and

2) \$1,336,000 in state special revenue for expenditures relating to the Broadwater Dam.

Because these appropriations have historically been made in legislation other than the general appropriations bill, they are not included in LFA current level.

Broadwater Dam Operations and Maintenance

The Executive Budget includes \$153,104 more for Broadwater Dam operations and maintenance than the LFA current level. The Executive Budget contains the appropriated fiscal 1991 level of \$300,000 each year for this purpose, while LFA current level maintains expenditures at the fiscal 1990 actual level of \$223,448 per year.

Lake Broadview

The Executive Budget includes \$30,000 for Lake Broadview mitigation measures. The department was appropriated funds for this purpose in the 1991 biennium but made no expenditures. Therefore, it is not included in LFA current level.

Language Appropriations

The Executive Budget recommends two language appropriations that are also included in its current level budget totals:

1) \$306,000 per year of state special revenue for potential loss lien purchases on property used as collateral for state loans; and

2) \$145,000 for the biennium of state special revenue for training builders in energy conservation construction practices.

The LFA current level includes federal funds for the Western Montana, electricity-related Builder Training program at the fiscal 1990 actual expenditure level. The \$145,000

included in the Executive Budget is for electricity and gas related builder training for the remainder of the state and is not included in the LFA current level. LFA current level does not contain funds for the potential loss lien purchases.

Funding

The Executive Budget includes \$2.7 million more general fund than the LFA current level due primarily to the generally higher level of expenditure. However, in two programs, there is a significant difference in funding.

General Fund Water Resources Administration

Water Resources Division administration is funded with a combination of general fund and various state special revenues used in the division's other programs. LFA current level funds administration based upon actual fiscal 1990 expenditures, while the Executive Budget replaces all reclamation and development state special revenue with general fund. As a result, the Executive Budget includes \$285,484 more general fund over the biennium than the LFA current level.

Centralized Services Funding

The Centralized Services Division is funded with assessments levied against state special revenue used to support other agency programs. The balance of the funding needed is funded with general fund. Because LFA current level assumes a higher level of state special revenue funding for other agency programs against which to levy the assessment than does the Executive Budget, it includes \$156,000 less general fund over the biennium.

Executive Budget Modifications

In addition to the \$72.4 million recommended for the Department of Natural Resources and Environment for the 1993 biennium, the Executive Budget also includes \$9.45 million and 3.0 FTE in budget modifications for the department. These budget modifications are discussed in the program narratives.

DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	256.20	262.20	250.20	250.20	-12.00
Personal Services	6,651,386	7,691,716	7,468,984	7,458,895	4.08%
Operating Expenses	2,468,321	3,437,234	3,439,710	3,424,557	16.23%
Equipment	265,577	181,474	138,300	102,064	-46.23%
Capital Outlay	448,241	0	0	0	-100.00%
Local Assistance	91,300	95,000	91,300	91,300	-1.99%
Grants	354,369	441,089	441,089	441,089	10.90%
Transfers	2,100,823	32,000	0	0	-100.00%
Debt Service	33,799	53,897	33,390	33,458	-23.77%
Total Agency	\$12,413,816	\$11,932,410	\$11,612,773	\$11,551,363	-4.86%
<u>Fund Sources</u>					
General Fund	3,933,519	4,546,145	4,340,048	4,345,573	2.43%
State Revenue Fund	7,535,679	6,165,582	6,179,571	6,112,828	-10.28%
Federal Revenue Fund	944,618	1,220,683	1,093,154	1,092,962	.96%
Total Funds	\$12,413,816	\$11,932,410	\$11,612,773	\$11,551,363	-4.86%

Agency Description

The Department of Natural Resources and Conservation (DNRC) is responsible for ensuring the wise management, development, conservation, and use of some of Montana's natural resources in a manner consistent with environmental quality. It works to sustain and improve the benefits derived from our water, soil, and rangeland; to encourage energy conservation and the use of renewable energy resources; and to make certain that energy facilities and water projects under its jurisdiction are developed with minimum adverse environmental effects. The department directs a wide variety of programs in meeting these and related goals and objectives. The department is provided for in Section 2-15-3301, MCA.

Current Level Budget

The agency's current level decreases 4.9 percent from the previous biennium primarily due to one-time land purchases and bond transfers in the 1991 biennium. Of the 12.0 FTE reduction from the 1991 biennium, 3.0 FTE are presented in a modified budget request, 3.0 FTE have been deleted due to extended vacancy,

4.0 FTE have been deleted from the Underground Injection Control program, and 2.0 FTE were eliminated by the agency. Despite these reductions, the personal services budget shows a 4.1 percent increase due to vacancy savings that occurred in fiscal 1990 and continuation of the fiscal 1991 pay plan increase in the 1993 biennium.

Operating expenses increase primarily due to the inclusion of \$996,335 in spending authority for fees collected from environmental analyses required by either the Major Facility Siting Act (MFSa) or Montana Environmental Protection Act (MEPA). In fiscal 1990, \$268,228 was collected and expended for this function. The fiscal 1990 capital outlay was for a one-time purchase of land. Local assistance and grants reflect the agency request. The 100 percent decrease in transfers is due to a change in accounting procedures and the one-time fiscal 1990 transfer of bond proceeds to a debt service account. Debt service in the 1993 biennium includes payments for the department's Digital Equipment Corporation (DEC) computer system and phone systems for Water Resources Division field offices. The fiscal 1991 appropriation also includes a computer system for the

DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

Reserved Water Rights Compact
Commission.

General fund support increases over fiscal 1990 levels but is less than the amount appropriated in fiscal 1991. State special revenue decreases primarily because LFA current level does not include funds for the Underground Injection Control program and due to a reduction in contracted services in the Water Resources Division. Resource Indemnity Trust (RIT) interest comprises most of the state special revenue funds used in this agency.

Resource Indemnity Trust Accounts

The Department of Natural Resources and Conservation expends funds from three accounts that receive a portion of Resource Indemnity Trust (RIT) interest: 1) Water Development, 2) Renewable Resource Development, and 3) Reclamation and Development.

Water Development

The water development account was created in 1981 to advance the beneficial use of water through financing water development projects and activities. The account receives 30 percent of the RIT interest (after the allocations to the environmental contingency fund and the oil and gas mitigation account are made), 0.475 percent of the coal severance tax, income from state-owned water projects revenues, and repayments.

The following table shows projected revenues, fiscal 1991 appropriations, and 1993 biennium LFA current level disbursements from the account. Based on the current level analysis, an estimated \$2.37 million (less any desired fund balance) is available to fund state-owned water projects and water development grants in the 1993 biennium.

DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

Table 1
Water Development Account
Department of Natural Resources and Conservation
Fiscal 1991, 1993 Biennium

	Appropriated Fiscal 1991	LFA Fiscal 1992	LFA Fiscal 1993
Beginning Balance	\$1,635,154	\$ 693,435	\$1,491,255
Revenues			
RIT Interest	\$2,259,809	\$2,433,963	\$2,602,956
Coal Tax	230,135	183,287	182,491
Loan Repayments	541,253	550,000	400,670
Administrative Fees	15,000	25,000	25,000
Project Revenues	<u>159,514</u>	<u>167,700</u>	<u>167,700</u>
Total Funds Available	<u>\$4,864,730</u>	<u>\$4,033,385</u>	<u>\$4,870,072</u>
Disbursements			
Debt Service	\$ 706,342	\$ 629,934	\$ 599,760
Water Courts	435,065	461,525	455,439
DNRC			
Bd of Ntrl Rsc & Conserv	-0-	3,997	3,998
Central Svc Div	142,020	143,760	143,084
Conserv & Rsc Dev Div*	228,032	211,040	209,977
Water Resources Admin	90,000	84,755	84,616
Water Resources Engineering	755,130	780,523	775,723
Water Resources Water Mgmt	155,288	226,596	226,449
Clark Fork Coordinator	81,296	-0-	-0-
Grants	858,040		
State Water Projects**	<u>716,217</u>		
Total Disbursements	<u>\$4,167,430</u>	<u>\$2,542,130</u>	<u>\$2,499,046</u>
Ending Fund Balance	\$ 697,300	\$1,491,255	\$2,371,026

* Includes Water Development.

**Includes emergency projects.

Renewable Resource and Development

The renewable resource development fund is used to make grants and loans to the public for development of renewable natural resources. The fund receives 8 percent of the RIT interest (after the allocations to the environmental contingency fund and the oil and gas mitigation account are made), 0.475 percent of the coal severance tax loan payments and interest.

The following table shows the projected revenues to and appropriated fiscal 1991 and LFA current level 1993 biennium disbursements from the account. Based upon the current level analysis, an estimated \$1.11 million (less any desired fund balance) is available to fund renewable resource projects in the 1993 biennium.

DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

Table 2
Renewable Resource Account
Department of Natural Resources and Conservation
Fiscal 1991, 1993 Biennium

	Appropriated <u>Fiscal 1991</u>	LFA <u>Fiscal 1992</u>	LFA <u>Fiscal 1993</u>
Beginning Balance	\$ 145,140	\$(26,252)	\$ 524,685
Revenues			
RIT Interest	602,616	649,057	694,122
Coal Tax	230,135	183,287	182,491
Loan Repayments	59,801	64,935	35,000
Interest on Bond Proceeds	<u>35,000</u>	<u>35,000</u>	<u>64,935</u>
Total Funds Available	<u>\$1,096,557</u>	<u>\$906,207</u>	<u>\$1,501,233</u>
Disbursements			
Bond Debt Service	\$ 113,337	\$182,381	\$ 197,850
DNRC			
Centralized Services	15,220	7,549	7,511
Conservation & Resource Dev	137,155	125,812	125,179
Conservation Districts	65,600	65,600	65,600
Grants	745,030		
MSU Genetics	<u>22,602</u>		
Total Disbursements	<u>\$1,098,944</u>	<u>\$381,342</u>	<u>\$ 396,140</u>
Ending Balance	\$ (2,387)	\$524,685	\$1,105,093

Reclamation and Development

The reclamation and development account receives 46 percent of the RIT interest and is used to fund projects to repair, reclaim, and mitigate environmental

damage from resource extraction. The \$3.73 million balance remaining (less any desired fund balance) is the estimated amount available for reclamation and development projects in the 1993 biennium.

DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

Table 3
Reclamation and Development
Department of Natural Resources and Conservation
Fiscal 1991, 1993 Biennium

	<u>Appropriated Fiscal 1991</u>	<u>LFA Fiscal 1992</u>	<u>LFA Fiscal 1993</u>
Beginning Balance	\$2,219,998	\$ 575,061	\$2,012,375
Revenues	<u>3,465,040</u>	<u>3,732,077</u>	<u>3,991,200</u>
Total Funds Available	<u>\$5,685,038</u>	<u>\$4,307,138</u>	<u>\$6,003,575</u>
Disbursements			
Dept Natural Resources & Conservation			
Bd of Ntrl Rsc & Conservation	\$ 0	\$ 1,918	\$ 1,918
Centralized Services	125,133	168,119	166,603
Conservation Districts*	431,682	486,243	475,357
Rural Econ Development	38,150	30,938	30,922
Water Resources			
Administration	90,000	120,442	120,245
New Water Rights\Adjudication	161,970	153,926	153,564
Water Management	350,000	354,771	354,541
Dam Safety	145,348	156,018	155,780
Reserved Water Rights	281,018	224,088	222,242
Dept State Lands			
Reclamation Division**	624,507	585,075	584,852
Central Management			
Env Quality Council	19,411	13,225	13,226
Grants	<u>2,842,758</u>		
Total Disbursements	<u>\$5,109,977</u>	<u>\$2,294,763</u>	<u>\$2,279,250</u>
Ending Balance	\$ 575,061	\$2,012,375	\$3,724,325

DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

The following table lists the budget

modifications included in the Executive Budget.

Executive Budget Modifications 1993 Biennium

<u>Budget Modifications</u>	<u>FTE FY92</u>	<u>FTE FY93</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
1) MPEA/EIS Programmatic				\$ 100,000	\$ 100,000
2) Missouri Basin Reservation	3.0	3.0		547,433	547,433
3) Poplar River Monitoring				66,620	66,620
4) Energy Conservation				441,500	441,500
5) State Owned Water Projects*				800,000	800,000
6) Middle Creek Dam*				3,896,925	3,896,925
7) North Fork Smith River*				1,600,000	1,600,000
8) Tongue River Dam*				<u>2,000,000</u>	<u>2,000,000</u>
Total	3.0	3.0		\$9,452,058	\$9,452,058

*In the Executive Budget, these modifications have been moved to Department of State Lands budget as part of the proposed reorganization.

CENTRALIZED SERVICES DIVISION

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	39.00	39.00	39.00	39.00	.00
Personal Services	1,098,745	1,235,505	1,245,333	1,243,263	6.61%
Operating Expenses	391,361	393,506	414,875	420,103	6.38%
Equipment	16,775	5,214	4,904	4,949	-55.19%
Debt Service	10,645	10,417	10,645	10,713	1.41%
Total Program	\$1,517,526	\$1,644,642	\$1,675,757	\$1,679,028	6.09%
<u>Fund Sources</u>					
General Fund	1,091,199	1,225,428	1,209,138	1,227,750	5.19%
State Revenue Fund	398,326	400,214	466,619	451,278	14.95%
Federal Revenue Fund	28,001	19,000	0	0	-100.00%
Total Funds	\$1,517,526	\$1,644,642	\$1,675,757	\$1,679,028	6.09%

Program Description

Centralized Services Division provides managerial and administrative support services essential to the effective operation of the department. The program has three components: 1) the Director's Office, which has responsibility for overall management and major decisions and recommendations within the jurisdiction of the department, includes the deputy director, legal, public information, and personnel support functions; 2) the Centralized Services program, which manages all financial activities, coordinates information systems, produces and coordinates publications and graphic materials, and performs general administrative support services; and 3) the Board of Natural Resources and Conservation (BNRC), which has statutorily assigned quasi-judicial functions, adopts department administrative rules if board approval is required. The BNRC is also responsible for approving reservations of water under the Montana Water Use Act, the siting of energy developments covered by the Major Facility Siting Act, and floodplain delineations under the Montana Floodplain and Floodway Management Act. The BNRC, whose seven members are appointed by the Governor, also acts in an advisory capacity to the department in all other matters.

The Centralized Services Division also houses the department's Digital Equipment Corporation (DEC) computer system, which is used for: 1) DNRC word processing and applications that do not require the mainframe; and 2) transmittal of all necessary DNRC data to the mainframe. This system was purchased in 1989 on a lease/purchase agreement. The final payment will be made in fiscal 1993. Centralized Services charges all agency programs for a portion of the lease/purchase debt service based upon the total number of pieces of equipment each department has accessing the system.

Current Level Budget

Current level personal services increase 6.6 percent due to continuation of the fiscal 1991 pay plan in the 1993 biennium and because this program experienced significant vacancy savings in fiscal 1990. Operating expenses increase because: 1) audit costs total \$19,652 per year in the 1993 biennium, compared to a 1991 biennium total of \$35,973 (of which \$12,147 was spent in fiscal 1990); and 2) Department of Administration rent increases \$17,393 to \$248,080 per year in the 1993 biennium. Equipment, which reflects the agency request, includes replacement office equipment. Debt service is the program's share of the DEC system.

CENTRALIZED SERVICES DIVISION

The centralized services function is funded with general fund and assessments against state special revenue funds. Assessments ranging from 6 to 15 percent are levied against all special revenue accounts used to fund agency activities.

The balance remaining after these assessments are made is funded with the general fund. The following table shows the assessments and general fund that comprise the total Centralized Services program current level funding.

Table 4
Centralized Services Program Funding

Fund Source	Percentage		Fiscal	Fiscal
	1992	1993	1992	1993
Rangeland Improvement Loans	6	6	\$ 10,500	\$ 10,500
Major Facility Siting*	15	9	32,685	19,611
Water Rights	6	6	4,800	4,800
Grazing Fees**	N/A	N/A	500	500
Conservation District Grants	6	6	5,165	5,165
Alternative Energy	11	11	17,364	17,326
Oil & Gas**	N/A	N/A	70,000	70,000
Renewable Resources***	6	6	7,549	7,511
Water Development	11	11	143,760	143,084
Reclamation & Development	11	11	168,119	166,603
GF Centralized Services	N/A	N/A	<u>1,195,130</u>	<u>1,213,736</u>
TOTAL****			\$1,655,572	\$1,658,836

* Assessment made on \$217,902 per year (four-year average of actual expenditures)

** Negotiated flat fee

*** Assessment on administration only, not on contract with Soil Conservation Service

****Does not include BNRC's budget (discussed below) which is included in this division.

Federal funds in fiscal 1990 consisted of assessments against oil overcharge funds. As these funds were spent, the department levied an indirect assessment to help fund the Centralized Services Division. Due to uncertainty over the level of funds available, no oil overcharge assessments are included in the division's current level budget in the 1993 biennium. The legislature may wish to specify that as oil overcharge funds are spent, indirect assessments will be collected and general fund reduced by a like amount. The Executive

Budget requests a language appropriation to transfer these indirect assessments to the general fund. Indirects assessed against other federal funding sources are currently deposited into the general fund, in accordance with legislation enacted during the 1989 session.

BNRC's current level budget, which totals \$20,185 in fiscal 1992 and \$20,192 in fiscal 1993, is funded with general fund and state special revenue from various agency accounts.

OIL & GAS CONSERVATION DIVISION

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	26.00	26.00	22.00	22.00	-4.00
Personal Services	521,210	732,407	622,477	621,319	-.78%
Operating Expenses	205,997	358,114	221,971	208,260	-23.73%
Equipment	40,431	49,975	31,150	15,625	-48.26%
Debt Service	1,127	1,227	980	980	-16.74%
Total Program	\$768,765	\$1,141,723	\$876,578	\$846,184	-9.83%
<u>Fund Sources</u>					
State Revenue Fund	768,765	1,141,723	876,578	846,184	-9.83%
Total Funds	\$768,765	\$1,141,723	\$876,578	\$846,184	-9.83%

Program Description

The Oil and Gas Conservation Division administers the Montana oil and gas conservation laws to promote conservation and prevent waste in the recovery of these resources through regulation of exploration and production of oil and gas. To meet this goal, the division: 1) issues drilling permits; 2) classifies wells; 3) establishes well spacing units and pooling orders; 4) inspects drilling, production, and seismic operations; 5) investigates complaints; 6) does engineering studies; and 7) collects and maintains complete well data and production information.

Current Level Budget

This division's current level budget decreases 9.8 percent primarily due to the elimination of funds for the Underground Injection Control (UIC) program. The UIC program was appropriated \$282,903 in fiscal 1990 and \$277,810 in fiscal 1991 from state special revenue funds for 4.0 FTE and related operating expenses. The 1989 legislature also appropriated the UIC program \$110,000 per year of federal revenue authority, contingent upon receipt of these funds from the Environmental Protection Agency (EPA). As of November 15, 1990, no FTE had been hired and no expenses incurred because the state has not been granted primacy or federal funding for this program by

the EPA. Since the division is unsure when primacy will be granted, no funds or FTE for this program are included in the current level budget.

The personal services reduction achieved by elimination of the 4.0 UIC FTE is partially offset by increases due to vacancy savings realized in fiscal 1990 and continuation of the 1991 pay plan into the 1993 biennium. While the 1993 biennium operating expenses are less than the fiscal 1991 appropriation due to the elimination of the UIC program, they are higher than fiscal 1990 actual expenditures because:

1) a \$9,962 court judgment the Board has been ordered to pay is included in 1992 current level; and

2) an increase of \$3,500 each year in repair and maintenance has been added due to increased field vehicle use associated with implementation of the Oil and Gas Programmatic EIS.

Equipment includes one replacement vehicle each year and various office, engineering, and field equipment. Debt service, which reflects this division's share of the DEC system, decreases because of reallocation of these expenses among programs.

The oil and gas conservation account funds this division. Revenue for this account is derived from drilling permits, a conservation tax on oil and gas production, interest earnings, and

OIL & GAS CONSERVATION DIVISION

miscellaneous fees for photocopy and other services. The department deposited \$946,502 from these sources in the account in fiscal 1990.

The 1989 legislature created the oil and gas production damage mitigation account for use in reclamation of resources disturbed by oil and gas exploration and production activities. Bond forfeitures, fees, and up to \$80,000 per biennium of RIT interest is deposited into the account. The division expended \$5,480 from the account in fiscal 1990 and anticipates expending \$200,000 in the 1993 biennium due to an expected increase in activity. Because this account is statutorily appropriated, no funds are included in current level.

Executive Budget Modification

Oil & Gas EIS/MEPA Compliance Program

The Oil and Gas Conservation Division is responsible for issuing oil and gas drilling permits. The 1989 legislature required that the Board of Oil and Gas Conservation adopt an environmental impact statement (EIS) addressing the process the division uses to issue permits, or a "programmatic" EIS. The requirement was made to ensure proper environmental review is completed on all permit requests in compliance with the procedures of the Montana Environmental Policy Act. The "programmatic" was completed and adopted by the board in December 1989. The Executive Budget includes \$50,000 per year from the oil and gas special revenue account to implement the "programmatic", including establishment and maintenance of an environmental review resource library and rule revisions.

CONSERVATION & RESOURCE DEVELOPMENT DIVISION

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	20.00	7.20	20.00	20.00	12.80
Personal Services	493,675	214,947	590,878	590,299	66.69%
Operating Expenses	247,576	163,781	227,869	228,027	10.83%
Equipment	22,154	12,161	20,083	3,981	-29.87%
Local Assistance	91,300	95,000	91,300	91,300	-1.99%
Grants	199,814	186,089	186,089	186,089	-3.56%
Debt Service	2,060	730	2,364	2,364	69.46%
Total Program	\$1,056,579	\$672,708	\$1,118,583	\$1,102,060	28.41%
<u>Fund Sources</u>					
General Fund	52,084	75,184	78,562	74,707	20.43%
State Revenue Fund	986,568	553,851	1,014,872	1,002,242	30.95%
Federal Revenue Fund	17,927	43,673	25,149	25,111	-18.41%
Total Funds	\$1,056,579	\$672,708	\$1,118,583	\$1,102,060	28.41%

Program Description

The Conservation and Resource Development Division is made up of the Conservation Districts Bureau and the Resource Development Bureau.

The Conservation Districts Bureau coordinates, supervises, and provides financial and technical assistance to Montana's 59 conservation districts. It serves as coordination and liaison between conservation districts and federal, state, and local governments. The bureau is also responsible for statewide coordination of rangeland management and administration of the state's 30 grazing districts. The Resource Development Bureau provides technical, financial, and administrative assistance to public and private entities to complete projects that put renewable resources to work, increase the efficiency with which natural resources are used, or solve recognized environmental problems. In fulfilling these duties, the bureau administers four loan and grant programs.

Current Level Budget

This division's current level increases 28.4 percent due to a reorganization. In fiscal 1990, the Water Development Bureau, including 12.8 FTE, was transferred from the Water Resources Division to this division. The reorganization is reflected in fiscal 1990 expenditures but not in the fiscal 1991 appropriation or FTE. Personal services increase due to the reorganization, vacancy savings realized in fiscal 1990, and continuation of the fiscal 1991 pay plan increases in the 1993 biennium. Operating expenses increase by 10.8 percent due to the reorganization. Equipment includes one replacement vehicle for field offices and miscellaneous office and computer equipment.

Local assistance is provided to conservation districts to supplement local funding sources when mill levy revenue is inadequate to support district operations. The total represents the agency request, funded from RIT reclamation and development funds.

The following table details grant amounts included in the current level budget.

CONSERVATION & RESOURCE DEVELOPMENT DIVISION

Table 5
Conservation & Resource Development
Division Grants
1993 Biennium

<u>Grant Source</u>	<u>Fiscal 1992</u>	<u>Fiscal 1993</u>
Saline Seep	\$100,000	\$100,000
Conservation Dists.	<u>86,089</u>	<u>86,089</u>
TOTAL	\$186,089	\$186,089

Saline Seep grants are pass-through funds to the Montana Salinity Control Association (MSCA) to represent and provide technical assistance in saline seep reclamation, prevention, and education programs to 33 conservation districts. Saline seep grants are funded with RIT reclamation and development funds. Conservation

district grants, which are made to local conservation districts for projects and activities, are funded with 0.19 percent of the coal severance tax.

Debt service, which funds this division's share of DEC computer costs, increases because of the transfer of the Water Development Bureau to this division.

The Conservation and Resource Development Division is funded with: 1) state special revenues, which include rangeland improvement loan administration fees, grazing district fees, conservation district coal severance tax income, and RIT interest through the renewable resource development account (RRD), reclamation and development account (R and D), and water development account; 2) federal funds which include a grant for Rural Economic Development and rent income from the Army Corps of Engineers; and 3) general fund. The following tables detail funding for this division.

CONSERVATION & RESOURCE DEVELOPMENT DIVISION

Table 6
Conservation and Resource Development Division Funding
1993 Biennium

----- Fiscal 1992 -----				
	<u>Conservation Districts</u>	<u>Rural Economic Development</u>	<u>Conservation and Resource Development</u>	<u>Total</u>
General Fund	\$ 78,562			\$ 78,562
<u>State Spec. Revenue</u>				
Range Imp.	3,000			3,000
Grazing Dist.	6,150			6,150
Cons. Dist.	86,089			86,089
Water Dev.			\$211,040	211,040
RRD	65,600		125,812	191,412
R & D	417,249	\$30,938	68,994	517,181
<u>Federal Revenue</u>				
Cons. Dist.	4,523			4,523
Res. Dev.		<u>20,626</u>		<u>20,626</u>
Total	<u>\$661,173</u>	<u>\$51,564</u>	<u>\$405,846</u>	<u>\$1,118,583</u>
----- Fiscal 1993 -----				
	<u>Conservation Districts</u>	<u>Rural Economic Development</u>	<u>Conservation and Resource Development</u>	<u>Total</u>
General Fund	\$ 74,707			\$ 74,707
<u>State Special Revenue</u>				
Range Imp.	3,000			3,000
Grazing Dist.	6,118			6,118
Cons. Dist.	86,089			86,089
Water Dev.			\$209,977	209,977
RRD	65,600		125,179	190,779
R & D	406,711	\$30,922	68,646	506,279
<u>Federal Revenue</u>				
Cons. Dist.	4,497			4,497
Res. Dev.		<u>20,614</u>		<u>20,614</u>
Total	<u>\$646,722</u>	<u>\$51,536</u>	<u>\$403,802</u>	<u>\$1,102,060</u>

WATER RESOURCES DIVISION

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	120.20	137.00	120.20	120.20	-16.80
Personal Services	3,250,639	3,945,659	3,556,123	3,551,068	-1.24%
Operating Expenses	1,134,286	1,131,039	1,029,906	1,022,679	-9.39%
Equipment	123,707	85,960	64,984	60,984	-39.92%
Capital Outlay	4,500	0	0	0	-100.00%
Transfers	2,100,823	32,000	0	0	-100.00%
Debt Service	<u>12,483</u>	<u>14,590</u>	<u>12,926</u>	<u>12,926</u>	<u>-4.51%</u>
Total Program	\$6,626,438	\$5,209,248	\$4,663,939	\$4,647,657	-21.33%
<u>Fund Sources</u>					
General Fund	2,263,903	2,552,845	2,407,000	2,396,865	-.27%
State Revenue Fund	4,281,603	2,604,111	2,217,034	2,210,887	-35.70%
Federal Revenue Fund	<u>80,932</u>	<u>52,292</u>	<u>39,905</u>	<u>39,905</u>	<u>-40.09%</u>
Total Funds	\$6,626,438	\$5,209,248	\$4,663,939	\$4,647,657	-21.33%

Program Description

The Water Resources Division is responsible for many programs associated with the uses, development, and protection of Montana's water. The division also develops and recommends water policy to the director, Governor, and legislature. The division consists of an administration unit with an attached dam safety compliance staff and three separate bureaus: Water Management Bureau, Water Rights Bureau, and Engineering Bureau.

Current Level Budget

The Water Resources Division had a 16.8 FTE reduction from the previous biennium because: 1) 12.8 FTE in the Water Development Bureau were moved to the Conservation and Resource Development Division in an agency reorganization; 2) 3.0 FTE included in the previous biennium for the Missouri River Reservation are included in an Executive Budget modification in the 1993 biennium; and 3) 1.0 FTE in the New Water Rights Bureau was deleted by the agency in the 1993 biennium budget request.

The division's personal services budget decreases by 1.2 percent because the FTE

reductions are offset by vacancy savings realized in fiscal 1990 and continuation of the 1991 pay plan increase in the 1993 biennium.

The Engineering Bureau includes 20.0 FTE of which eleven are engineers. In fiscal 1990, four engineer positions were vacant most of the year due to recruitment and retention difficulties. As of November 1990, two positions were still vacant. Because these engineers are necessary to ensure that state water projects are adequately maintained, the LFA current level budget includes funding for all positions.

Operating expenses decrease 9.4 percent because various contracts expended in fiscal 1990 and appropriated in fiscal 1991 were not requested by the agency due to: 1) completion of the Broadwater Dam project; 2) inclusion of the Missouri River Basin in an Executive Budget modification in the 1993 biennium; and 3) elimination of contracted services expended in fiscal 1990 because of staff vacancies.

Equipment includes six replacement vehicles and various office, field monitoring, and computer equipment. Capital outlay expenditures in fiscal 1990 for the Middle Creek feasibility study are not continued since the study has been completed. Transfers in fiscal

WATER RESOURCES DIVISION

1990, which were used to move Broadwater Dam bond sale proceeds from a bond proceeds account into a debt service account, will not continue in the 1993 biennium. Debt service includes payment for phone system leases and this division's share of the department's DEC computer system.

The Water Resources Division is funded with a mixture of general fund, state special revenue, and federal funds.

Federal funds decline because funds for Missouri River Reservation activities are requested as a budget modification in the 1993 biennium. State special revenues decrease because Broadwater Dam bond proceeds were transferred from a state special revenue into a debt service account in fiscal 1990 and will not recur in the 1993 biennium. The following table shows funding in this division by program.

Table 7
Water Resources Division Funding
1993 Biennium

----- Fiscal 1992 -----								
	General Fund	Broadwtr O & M (State)	Water Rights Approp (State)	Water Devlpmt (State)	Reclamation and Developmnt (State)	Water Well Contract (State)	State Assistance (FMHA) (Federal)	Total
Administration	\$ 17,843			\$ 84,755	\$120,442			\$ 223,040
New Water Rights	1,430,287		\$60,000		99,000			1,589,287
Water Rights Adj	777,288		20,000		54,926			852,214
Engineering		\$223,448		780,523			\$39,905	1,043,876
Water Management	181,582			226,596	354,771			762,949
Water Well Cont						\$36,555		36,555
Dam Safety					156,018			156,018
Total	<u>\$2,407,000</u>	<u>\$223,448</u>	<u>\$80,000</u>	<u>\$1,091,874</u>	<u>\$785,157</u>	<u>\$36,555</u>	<u>\$39,905</u>	<u>\$4,663,939</u>
----- Fiscal 1993 -----								
	General Fund	Broadwtr O & M (State)	Water Rights Approp (State)	Water Devlpmt (State)	Reclamation and Developmnt (State)	Water Well Contract (State)	State Assistance (FMHA) (Federal)	Total
Administration	\$ 17,814			\$ 84,616	\$120,245			\$ 222,675
New Water Rights	1,425,426		\$60,000		99,000			1,584,426
Water Rights Adj	772,161		20,000		54,564			846,725
Engineering		\$223,448		775,723			\$39,905	1,039,076
Water Management	181,464			226,449	354,541			762,454
Water Well Cont						\$36,521		36,521
Dam Safety					155,780			155,780
Total	<u>\$2,396,865</u>	<u>\$223,448</u>	<u>\$80,000</u>	<u>\$1,086,788</u>	<u>\$784,130</u>	<u>\$36,521</u>	<u>\$39,905</u>	<u>\$4,647,657</u>

Executive Budget Modifications

Missouri Basin Reservation

This modification is proposed to continue implementation of a 1985 legislative mandate to: 1) complete comprehensive water reservation proceedings in the Missouri River basin

for the reservations of flows upstream of Fort Peck Dam by mid-fiscal 1992; 2) begin decision-making on water reservation applications in the remaining portion of the basin, which is to be completed by mid-fiscal 1994; 3) prepare the environmental impact statement on reservation applications in the lower Missouri and Little Missouri River basins; and 4) assist the Board of

WATER RESOURCES DIVISION

Natural Resources in conducting contested case hearings concerning water reservation requests.

The Executive Budget includes appropriation authority of \$547,433, which includes \$166,826 from the Department of Fish, Wildlife, and Parks' miscellaneous state special revenue account and \$380,607 from water development state special revenue funds. This modification, which would add 3.0 FTE and \$461,686 in fiscal 1992 and \$85,747 in fiscal 1993, would continue funding for this project based on estimated actual costs during the current biennium. The 1991 biennium appropriation for this project was \$545,562 and actual expenditures are anticipated to total \$524,667.

Rehabilitation Water Projects

DNRC is responsible for 23 state-owned water storage projects that were constructed in the 1930's and 1940's. Used primarily for irrigation with ancillary recreational and flood-control benefits, several projects need repair and rehabilitation in order to eliminate potential hazards to downstream property and residents and lessen the state's liability exposure. The following projects are in need of repair and rehabilitation:

1) Rehabilitation Projects Using Water Development Funds

This modification adds a biennial appropriation of \$800,000 to complete feasibility studies, develop plans and specifications, oversee construction, and perform miscellaneous repairs on four state-owned water storage facilities. This modification, which would be funded from the water development special revenue fund (thus reducing the money available for other grants), would provide approximately the same funding level as has been appropriated in previous biennia for rehabilitation work.

The agency is requesting authority to vary funding amounts among the four projects described below and to include other priority projects as necessary.

a) Tongue River Dam: During the 1993 biennium, DNRC, in cooperation with several state and federal agencies, would develop a feasibility study on the rehabilitation of the Tongue River Dam. This project would require \$300,000 of state funds to match federal funds.

b) Middle Creek Dam: DNRC has completed rehabilitation planning for the Middle Creek Dam and has acquired federal funding to begin rehabilitation and expansion construction. State funding of \$300,000 is requested to oversee construction and conduct field inspections.

c) North Fork Smith River Dam: DNRC would conduct a feasibility study for an expected cost of \$100,000.

d) Miscellaneous Emergencies and Repairs: DNRC estimates \$100,000 will be necessary for unforeseen repair requirements on state water projects.

2) Rehabilitation Water Projects Using Funding From a Variety of Sources

The following requests for rehabilitation activities on state-owned projects would be funded through a variety of sources including federal grants, federal loans, state funds, and state bond proceeds.

a) Smith River: This modification adds authority to spend \$1,600,000 in federal funds during the next biennium to rehabilitate the water project on the North Fork of the Smith River, where seepage due to an undersized spillway has caused stability concerns. The federal funds will be in the form of a loan, which will be repaid by the water users. Although the water users have agreed to this arrangement, no formal agreements have yet been signed with the users or the federal government.

b) Middle Creek Dam: This modification adds authority to spend \$3,896,925 in federal funds

WATER RESOURCES DIVISION

during the next biennium to bring the Middle Creek Dam up to present dam safety standards and provide additional storage capacity. Funding for this project will be derived from a U.S. Bureau of Reclamation loan for \$3,121,925 and a federal grant for the remaining \$775,000. The loan will be repaid by the City of Bozeman and the water users. A formal agreement among the water users, the City of Bozeman, and the state is currently in the final negotiation stage.

c) Tongue River Dam: This modification proposes spending \$2,000,000 over the next biennium to complete final design specifications for the Tongue River Dam once the feasibility study is completed. Under the National Dam Safety Program, the U.S. Army Corps of Engineers has classified the Tongue River Dam as an unsafe high-hazard structure. Funding for this project will consist of \$1,600,000 from a U.S. Bureau of Reclamation grant and \$400,000 in state bond proceeds backed by the coal severance tax trust fund.

In the Executive Budget, the budget modifications for rehabilitating water projects are included in the Department of State Lands as part of the proposed reorganization.

Poplar River Monitoring

This modification adds \$33,050 in fiscal 1992 and \$33,570 in fiscal 1993 from the water development special revenue account to monitor water quality, quantity, and groundwater on the Poplar River at the international boundary between Montana and Saskatchewan in accordance with a bi-national monitoring committee request. Of this request, \$18,000 per year will be granted to the Bureau of Mines for groundwater studies. The remaining funds will be used to contract with the United States Geological Survey (USGS) for 50 percent of the cost of collecting water quality measurements. The USGS will be responsible for collecting the water quantity measurements. The cost of this program is currently being funded through existing programs. The Department of Health and Environmental Sciences is providing funding for the program in fiscal 1991 and DNRC contributed \$3,450 in fiscal 1990.

RESERVED WATER RIGHTS COMPACT COMMISSION

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	11.00	13.00	11.00	11.00	-2.00
Personal Services	222,320	363,717	320,124	319,506	9.14%
Operating Expenses	45,877	59,962	45,267	44,848	-14.86%
Equipment	23,627	15,460	6,710	4,671	-70.88%
Debt Service	<u>1,379</u>	<u>20,995</u>	<u>1,379</u>	<u>1,379</u>	<u>-87.67%</u>
Total Program	\$293,203	\$460,134	\$373,480	\$370,404	-1.26%
<u>Fund Sources</u>					
General Fund	112,818	179,116	149,392	148,162	1.93%
State Revenue Fund	<u>180,385</u>	<u>281,018</u>	<u>224,088</u>	<u>222,242</u>	<u>-3.27%</u>
Total Funds	\$293,203	\$460,134	\$373,480	\$370,404	-1.26%

Program Description

The Reserved Water Rights Compact Commission, which was created by the legislature in 1979 as part of the water rights adjudication effort, is provided for in Section 2-15-212, MCA. The purpose of the commission is to negotiate water rights with Indian tribes and federal agencies, with the intent to establish a formal agreement (compact) on the amount of water to be allocated to each interest. To date, the commission has concluded one compact with the Fort Peck tribe in 1985. The commission is statutorily attached to the Governor's office but is served by a staff attached to DNRC. Three programs are administered by the commission staff: 1) Information Services; 2) Commission Negotiations; and 3) Administrative Support.

significant vacancy savings in fiscal 1990. The current level budget includes full funding for all authorized positions except 2.0 FTE: 1) 1.0 FTE deleted at the agency request; and 2) 1.0 FTE deleted from current level due to extended vacancy. Full funding for the remaining positions and the continuation of the fiscal 1991 pay plan in the 1993 biennium causes the 9.1 percent increase in personal services.

Operating expenses are continued at the fiscal 1990 level. The fiscal 1991 appropriation includes \$18,000 for contracted services with outside professionals to assist in final negotiations with tribes. Since no funds were expended for this purpose in fiscal 1990, this budget item is not included in the LFA current level for the 1993 biennium. Equipment includes the agency's request for office and computer equipment.

Current Level Budget

This program budget decreases 1.3 percent in the 1993 biennium due to a reduction in FTE and decreases in equipment and debt service budgets. The 1989 legislature approved the addition of 7.0 FTE (5.0 FTE to be added in fiscal 1990 and 2.0 FTE in fiscal 1991) to conduct the technical work necessary to support negotiations with an additional tribe. Due to delays in hiring this new staff and to staff turnover, the agency experienced

Debt service is maintained at the fiscal 1990 level. The 1989 legislature appropriated \$20,000 per year to the commission to lease/purchase a computer system. Due to changes in technology, the commission did not purchase the system. The agency is requesting funds to purchase the system in the 1993 biennium. This significant equipment request is not included in the LFA current level. The 1993 biennium debt service includes the commission's share of the department's DEC system.

RESERVED WATER RIGHTS COMPACT COMMISSION

The Reserved Water Rights Compact Commission is funded 40 percent by general fund and 60 percent from the RIT

reclamation and development state special revenue fund.

ENERGY DIVISION

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - Fiscal 1993	Change 1991-93 Biennium
FTE	40.00	40.00	38.00	38.00	-2.00
Personal Services	1,064,797	1,199,481	1,134,049	1,133,440	.14%
Operating Expenses	443,224	1,330,832	1,499,822	1,500,640	69.13%
Equipment	38,883	12,704	10,469	11,854	-56.73%
Capital Outlay	443,741	0	0	0	-100.00%
Grants	154,555	255,000	255,000	255,000	24.53%
Debt Service	6,105	5,938	5,096	5,096	-15.37%
Total Program	\$2,151,305	\$2,803,955	\$2,904,436	\$2,906,030	17.26%
<u>Fund Sources</u>					
General Fund	413,515	513,572	495,956	498,089	7.22%
State Revenue Fund	920,032	1,184,665	1,380,380	1,379,995	31.15%
Federal Revenue Fund	817,758	1,105,718	1,028,100	1,027,946	6.89%
Total Funds	\$2,151,305	\$2,803,955	\$2,904,436	\$2,906,030	17.26%

Program Description

The Energy Division consists of three bureaus: 1) the Facility Siting Bureau, which designs and conducts environmental impact and monitoring studies and performs analyses of energy projects under either the Major Facility Siting Act (MFSA) or the Montana Environmental Policy Act (MEPA). The bureau also conducts impact assessment and research studies when its environmental expertise is requested by the BNRC, other bureaus, divisions, or state or federal agencies; 2) the Planning and Analysis Bureau, which identifies and evaluates energy issues that could significantly affect Montana and formulates recommendations for Montana officials. The bureau also represents the state on various technical and policy groups; and 3) the Conservation and Renewable Energy Bureau, which works to encourage energy conservation and reduce the state's dependence on fossil fuels through the promotion of competitively priced renewable resources.

The 1989 legislature appropriated \$1,005,300 spending authority each year for major facility siting analysis and reviews as required by either the Major Facility Siting Act (MFSA) or the Montana Environmental Protection Act (MEPA). Major Facility (MFS) has two components:

1) the "core" program which is primarily funded with general fund, but includes some major facility siting funds for 0.8 FTE. This core program performs ongoing pre-application duties; and

2) the environmental analysis and review program, which is funded with filing fees collected from permit or certification applicants. The 1989 legislature also appropriated \$1,650,000 for the biennium to lessen the impact to Rock Creek from the Bonneville Power Administration (BPA) powerline through the area. The Rock Creek mitigation account, an expendable trust fund, was created through a settlement between the state and BPA.

Current Level Budget

This division's current level budget increases 17.3 percent due primarily to major facility siting and Rock Creek mitigation activities.

Because the total amount needed to accomplish major facility siting analyses and Rock Creek mitigation activities is not known in advance, the legislature has historically appropriated a lump sum in contracted services to cover all potential costs,

ENERGY DIVISION

with the understanding that some of it will be used for personal services.

Major Facility Siting expenditures in fiscal 1990 totaled \$268,228 and included \$176,374 in personal services, \$91,568 in operating expenses, and \$268 in equipment. LFA current level for the 1993 biennium includes the agency request of \$996,335 per year in contracted services for MFSA or MEPA required environmental analyses. Current level also includes MFS funds for 0.8 FTE in the core program, totalling \$26,186 in fiscal 1992 and \$26,148 in fiscal 1993.

Rock Creek Mitigation activities totaled \$486,101 in fiscal 1990, including \$5,080 in personal services, \$13,013 in operating expenses, \$10,769 in equipment, \$443,741 in capital outlay, and \$13,500 in grants. Current level includes \$200,000 per year in contracted services for this project. Although this is how these funds have been appropriated in the past, the legislature may wish to include language in the appropriation bill stating that the agency may expend the appropriation in other expenditure categories as needed. The Executive Budget also includes \$200,000 per year for these activities but recommends a language appropriation to allow the Rock Creek Advisory Council additional spending authority up to \$1,100,000 during the biennium if necessary.

FTE decrease due to the elimination of 2.0 FTE from the Conservation Bureau (a word processing operator and an energy education specialist) due to extended vacancies. The personal services budget remains constant, however, because of vacancy savings realized in fiscal 1990 and continuation of the fiscal 1991 pay plan increase into the 1993 biennium.

Operating expenses increase 69.1 percent due to the addition of major facility siting and Rock Creek mitigation expenses. Equipment includes computer and office equipment, as well as the division's share of DEC computer costs. Capital outlay in fiscal 1990 was used to purchase land for Rock Creek mitigation activities. The following

table shows grant funds included in the LFA current level for the 1993 biennium.

Table 8
Energy Division Grants
1993 Biennium

	<u>1992</u>	<u>1993</u>
Institutional Cons.		
Program	\$200,000	\$200,000
Bioenergy Program	25,000	25,000
Residential Const.		
Demo	<u>30,000</u>	<u>30,000</u>
TOTAL	\$255,000	\$255,000

The Institutional Conservation program (ICP) requires a 50 percent match, while the Bioenergy program requires a 33 percent match. Grantees provide match for the funds they receive, and the state provides match for the administrative funds they receive. The ICP grants funds to schools, hospitals, and local governments to retrofit existing buildings for energy conservation. Bioenergy program grants are made to commercial, industrial, and public sector groups to promote the use of biomass energy. Residential construction and demonstration grants are federally funded and require no state match. They are used to fund energy-efficient, electrically-heated home construction in the BPA service area.

Debt service decreases by 15.4 percent because some of the division's DEC costs are included in the equipment category. Debt service includes the remaining division DEC costs in the 1993 biennium.

The Energy Division is funded with a mixture of general fund, state special revenue, and federal funds from the Department of Energy, Bonneville Power Administration, and oil overcharge funds. The following table shows the funding breakdown for this division.

ENERGY DIVISION

Table 9
Energy Division Funding

----- Fiscal 1992 -----					
<u>Fund Source</u>	<u>Admin.</u>	<u>Planning/ Analysis</u>	<u>Major Facility Siting</u>	<u>Conservation</u>	<u>Total</u>
General Fund	\$127,777	\$209,002	\$ 159,177		\$ 495,956
State Special					0
Rock Creek			200,000		200,000
Major Facility		16,799	1,005,722		1,022,521
Alt Energy				\$157,859	157,859
Federal Funds					0
Energy	15,000			561,843	576,843
Oil Overcharge		30,095		421,162	451,257
TOTAL	<u>\$142,777</u>	<u>\$255,896</u>	<u>\$1,364,899</u>	<u>\$1,140,864</u>	<u>\$2,904,436</u>
----- Fiscal 1993 -----					
<u>Fund Source</u>	<u>Admin.</u>	<u>Planning/ Analysis</u>	<u>Major Facility Siting</u>	<u>Conservation</u>	<u>Total</u>
General Fund	\$127,807	\$210,657	\$ 159,625		\$ 498,089
State Special					0
Rock Creek			200,000		200,000
Major Facility		16,761	1,005,722		1,022,483
Alt Energy				\$157,512	157,512
Federal Funds					0
Energy	15,000			593,707	608,707
Oil Overcharge		30,027		389,212	419,239
TOTAL	<u>\$142,807</u>	<u>\$257,445</u>	<u>\$1,365,347</u>	<u>\$1,140,431</u>	<u>\$2,906,030</u>

Because the level of additional oil overcharge funds that may be received in the 1993 biennium is not known, none are included in the LFA current level. The oil overcharge funds included in the table are the unspent balance of prior oil overcharge allocations.

The alternative energy development funds are used as match for administrative expenses of the ICP and Bioenergy program. The alternative energy account used to receive coal severance tax revenue, but that allocation was eliminated by House Bill 526 in the last session. The remaining revenue to this account is interest and loan paybacks.

Executive Budget Modification

Energy Conservation

The Executive Budget includes \$107,000 in fiscal 1992 and \$334,500 in fiscal 1993 of federal funds to implement federal energy efficiency programs through the State Energy Conservation program. The department will also offer technical assistance to consumer groups to increase energy efficiency in Montana's commercial, industrial, and public sectors. This will be done through the Biomass Utilization and Co-generation program.

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

PUBLIC SERVICE REGULATION

Budget Item	Executive Current Level		LFA Current Level		Executive Over (Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	46.00	46.00	44.00	44.00	2.00
Personal Services	1,528,660	1,527,623	1,481,995	1,481,061	93,227
Operating Expenses	371,349	371,958	318,531	317,900	106,876
Equipment	<u>38,605</u>	<u>42,079</u>	<u>33,605</u>	<u>37,079</u>	<u>10,000</u>
Total Agency	\$1,938,614	\$1,941,660	\$1,834,131	\$1,836,040	\$210,103
<u>Fund Sources</u>					
General Fund	1,892,696	1,895,742	1,788,213	1,790,122	210,103
Federal Revenue Fund	25,918	25,918	25,918	25,918	0
Proprietary Fund	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>0</u>
Total Funds	\$1,938,614	\$1,941,660	\$1,834,131	\$1,836,040	\$210,103

Executive Budget Comparison

The Executive Budget current level is \$210,103 higher than the LFA current level. In the LFA current level, 2.0 FTE that were vacant for much of the 1991 biennium are eliminated, decreasing personal services by \$93,227. The Executive Budget current level operating expenditures are based on fiscal 1991 appropriations, which are higher than fiscal 1990 actual expenditures (the base for the LFA current level). The Executive Budget also continues a \$50,000 biennial appropriation for consultants. The LFA current level

includes \$6,114 per year, the amount spent in fiscal 1990. The LFA current level includes the equipment requested in the Executive Budget, less \$5,000 per year for single-user software.

Executive Budget Modifications

In addition to the \$3.88 million current level budget for the 1993 biennium, the Executive Budget contains \$273,802 and 2.00 FTE in modified budget requests for the Department of Public Service Regulation. These budget modifications are listed in the following agency narrative and discussed in more detail in the agency narrative.

PUBLIC SERVICE REGULATION

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	46.00	46.00	44.00	44.00	-2.00
Personal Services	1,372,335	1,504,964	1,481,995	1,481,061	2.98%
Operating Expenses	304,111	338,089	318,531	317,900	-.90%
Equipment	45,910	21,520	33,605	37,079	4.83%
Total Agency	\$1,722,356	\$1,864,573	\$1,834,131	\$1,836,040	2.32%
Fund Sources					
General Fund	1,683,400	1,819,055	1,788,213	1,790,122	2.17%
Federal Revenue Fund	21,780	25,518	25,918	25,918	9.59%
Proprietary Fund	17,176	20,000	20,000	20,000	7.60%
Total Funds	\$1,722,356	\$1,864,573	\$1,834,131	\$1,836,040	2.32%

Agency Description

The Department of Public Service Regulation regulates the public utility, motor carrier, and railroad industries to provide safe, reliable, and adequate services at the lowest achievable cost to the consumers while concurrently providing the regulated industries with a fair and reasonable return on their investment for the services rendered. The department is provided for in Sections 2-15-2601 and 69-1-102, MCA, and operates under one program, the Public Service Commission. This program is overseen by five commissioners elected from districts throughout Montana.

Current Level Budget

The agency's current level increases 2.3 percent over the previous biennium, due primarily to the pay plan increase in fiscal 1991 which is included in personal services costs in fiscal 1992 and 1993. Because two positions (a utility rate analyst and a word processing operator) were vacant for much of the 1991 biennium, they have

been removed from the current level budget at a savings of \$93,227 for the biennium. Operating expense increases above fiscal 1990 actual expenditures include inflationary adjustments (\$5,571 in fiscal 1992 and \$4,083 in fiscal 1993) and increased bonding, insurance, audit fees, and rental costs. Current level includes \$6,114 of fiscal 1990 expenditures from a \$50,000 biennial appropriation for consultants (such as expert witnesses). The agency's request for equipment (which includes three replacement vehicles, five replacement radios, and two laser printers) is included in the current level.

The agency is funded with general funds, federal funds, and proprietary funds. The general fund is reimbursed by utility tax revenue collected by the agency based on the general fund appropriated to the agency. The natural gas pipeline safety program is financed with 50 percent federal funds and 50 percent general fund. The proprietary funds contain reimbursement utilities pay to the agency for out-of-state auditing expenses.

PUBLIC SERVICE REGULATION

Executive Budget Modifications

1993 Biennium

<u>Budget Modifications</u>	<u>FTE FY92</u>	<u>FTE FY93</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
1) Travel/Registration Fees	0.0	0.0	\$50,000	\$0	\$50,000
2) Utility Management Audit	<u>1.0</u>	<u>2.0</u>	<u>\$223,802</u>	<u>\$0</u>	<u>\$223,802</u>
Total	1.0	2.0	\$273,802	\$0	\$273,802

Travel/Registration Fees

The department requests an additional \$50,000 in travel funds for the biennium from the general fund to enhance participation in local and interstate conferences and commission hearings.

Utility Management Audit

The department requests \$48,286 and 1.0 FTE for fiscal 1992 and \$175,516 and 2.0 FTE for fiscal 1993 from the general fund to initiate a management audit program. Currently, audit capability is

limited to review of rate case information only, with no resources to conduct management audits. The department says the proposed management audit program would encourage efficient utility management by evaluating the operations of regulated utility companies and recommending improvements in policies and procedures, when necessary; enhance the commission's understanding of the utility's management process; help ensure that rate payers receive safe and adequate service at the lowest reasonable cost; and assist utilities in earning their allowed rate of return on investments.

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

DEPARTMENT OF FISH, WILDLIFE, & PARKS

Budget Item	Executive Current Level		LFA Current Level		Executive Over (Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	528.52	528.52	522.51	522.51	6.01
Personal Services	15,488,259	15,486,810	15,316,756	15,315,587	342,726
Operating Expenses	11,689,480	11,711,307	10,753,918	10,590,596	2,056,273
Equipment	1,423,589	1,353,258	1,218,854	1,296,940	261,053
Capital Outlay	10,000	10,000	0	0	20,000
Grants	577,000	577,032	254,815	254,815	644,402
Benefits and Claims	3,000	3,000	4,274	4,274	(2,548)
Transfers	<u>3,061,450</u>	<u>3,265,367</u>	<u>8,000</u>	<u>8,000</u>	<u>6,310,817</u>
Total Agency	\$32,252,778	\$32,406,774	\$27,556,617	\$27,470,212	\$9,632,723
<u>Fund Sources</u>					
State Revenue Fund	20,025,757	20,019,769	18,671,716	18,405,170	2,968,640
Federal Revenue Fund	10,006,181	10,162,436	6,866,032	7,008,380	6,294,205
Proprietary Fund	<u>2,220,840</u>	<u>2,224,569</u>	<u>2,018,869</u>	<u>2,056,662</u>	<u>369,878</u>
Total Funds	\$32,252,778	\$32,406,774	\$27,556,617	\$27,470,212	\$9,632,723

Executive Budget Comparison

The Executive Budget current level exceeds the LFA current level by \$9,632,723 (17.5 percent) in the 1993 biennium. The Executive Budget current level is higher than the LFA current level in all the major expenditure categories.

Issues

Personal Services

Personal services in the Executive Budget exceeds the LFA current level by \$342,726. The LFA current level eliminates 5.51 FTE which were vacant much of the 1991 biennium, for a biennial savings of \$276,923. In addition, 0.5 FTE was eliminated from the Shooting Range program for a biennial savings of \$27,777. This program, which was included in House Bill 100 as a line-item biennial appropriation, never became fully functional in the 1991 biennium.

Biennial overtime is \$27,220 less in the LFA current level, which budgeted most programs at fiscal 1990 actual expenditures.

Operating Expenses

Biennial operating expenses in the Executive Budget current level are \$2,056,237 higher than the LFA current level. The LFA current level base for operating expenses, which was projected from fiscal 1990 actual expenditures, is approximately \$1.63 million less than the Executive Budget current level base, which was projected from fiscal 1991 appropriations. This difference approximates the amount of reverted appropriation in fiscal 1990. In fiscal 1990, the department spent \$9.70 million for total operating expenses, reverting \$1.91 million in operating expense budget authority (after adjustments for biennial appropriations).

Both the LFA and Executive Budget current levels include upward adjustments in their bases. The LFA increases above fiscal 1990 expenditures (explained in more detail in each program's "Current Level Budget" section) include full funding for three programs which were not fully operational in fiscal 1990.

DEPARTMENT OF FISH, WILDLIFE, & PARKS

Equipment

Equipment in the Executive Budget current level is \$261,053 more for the 1993 biennium than the LFA current level. The LFA current level budgets equipment at historical levels in the Management Services and Parks divisions. The Executive Budget includes \$171,053 more equipment for these divisions. In addition, the LFA current level does not include \$90,000 requested by the Fisheries Division for a new hatchery truck. The 1989 legislature provided a line-item appropriation of \$167,000 in the 1991 biennium to purchase two hatchery trucks, stating that these expenditures were not to be included in the 1993 biennium base.

Grants

The Executive Budget includes \$644,402 more in grants for the biennium than the LFA current level. The chief reason for this difference is the Land and Water Conservation Fund grants which are included in the LFA current level at fiscal 1990 actual expenditure levels. The Executive Budget continues the 1991 biennial appropriation of \$700,000, for a difference of \$457,370. In addition, the LFA current level does not include \$114,272 of grants in the Shooting Ranges program (from which nothing was granted in fiscal 1990) or \$72,760 in wildlife grants.

Transfers

Transfer authority in the Executive Budget includes legislative contract authority (LCA) and vehicle replacement cost differential. Legislative contract authority is a mechanism for the department to spend federal and private funds which become available during the biennium without requesting a budget amendment. A discussion of this process is discussed in the agency narrative as an "Issue". The Executive Budget includes \$6,006,000 of LCA for the 1993 biennium, which the LFA does not include as part of current level.

Also included as transfer authority in the Executive Budget is \$304,817 for vehicle cost replacement differential

funded by a proprietary account. Each division is charged a per mile rate for vehicle use (paid to the equipment enterprise fund) to cover vehicle costs including depreciation of its original cost. When vehicles are replaced, authority and funding is not available to cover the inflated price of new vehicles. The Executive Budget includes funds from the general license account to cover this differential. The LFA current level does not include this transfer authority in order to give the legislature the opportunity to review this request.

Funding

Federal funding differences result from the Executive Budget funding LCA with federal funds. The LFA current level does not include LCA funding. State special revenue differences result from the higher level of expenditures in the Executive Budget current level, which are funded primarily with general license account funds.

Executive Budget Modifications

In addition to the \$64.7 million recommended for the Department of Fish, Wildlife, and Parks for the 1993 biennium, the Executive Budget also includes \$5.7 million and 27.49 FTE in budget modifications for the department. These budget modifications are discussed in the program narratives.

DEPARTMENT OF FISH, WILDLIFE, & PARKS

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	534.26	537.42	522.51	522.51	-14.91
Personal Services	13,975,411	15,656,511	15,316,756	15,315,587	3.38%
Operating Expenses	9,696,159	11,324,607	10,753,918	10,590,596	1.54%
Equipment	1,825,284	1,488,935	1,218,854	1,296,940	-24.09%
Capital Outlay	192,740	10,000	0	0	-100.00%
Grants	351,314	164,880	254,815	254,815	-1.27%
Benefits and Claims	4,274	3,000	4,274	4,274	17.51%
Transfers	163,651	2,446,520	8,000	8,000	-99.39%
Total Agency	\$26,208,833	\$31,094,453	\$27,556,617	\$27,470,212	-3.97%
<u>Fund Sources</u>					
State Revenue Fund	18,090,190	20,564,800	18,671,716	18,405,170	-4.08%
Federal Revenue Fund	5,996,101	8,214,802	6,866,032	7,008,380	-2.37%
Proprietary Fund	2,122,542	2,314,851	2,018,869	2,056,662	-8.16%
Total Funds	\$26,208,833	\$31,094,453	\$27,556,617	\$27,470,212	-3.97%

Agency Description

The Montana Department of Fish, Wildlife, and Parks, under direction of the Fish and Game Commission, is responsible for managing Montana's fish, wildlife, and recreational resources and with providing optimum outdoor recreational opportunities for Montanans and their guests. The department is responsible for a state park system that includes scenic, historical, cultural, and recreational resources. Implementation of the department's programs occur in seven department divisions in addition to the director's office and within eight regional field offices throughout the state. The five-member Fish and Game Commission provides policy to the department on resource management, seasons, and use of lands owned or controlled by the department.

Current Level Budget

The agency's current level decreases 4.0 percent over the previous biennium due primarily to decreases in transfers and equipment. Legislative contract authority (LCA) expenditures (see "Issues" section) have been removed from fiscal 1990 actual expenditures but continue to be reflected in the fiscal

1991 appropriation as transfers. LCA has not been budgeted in the 1993 biennium current level. Budgeted transfer authority in the 1993 biennium of \$8,000 reflects snow removal contingency funds in the Capitol Grounds Maintenance program.

Personal services increase 3.4 percent due to: 1) vacancy savings achieved in fiscal 1990; 2) the pay plan increase in fiscal 1991 which is continued in the 1993 biennium; and 3) fully funding authorized FTE's in three programs that were enacted by the 1989 legislature but were not fully operational during the 1991 biennium. These three programs are described below.

The 1989 legislature appropriated \$1.81 million in the 1991 biennium to enhance upland game bird habitat, funded from earmarked amounts on the sale of resident and nonresident bird licenses, sportsman licenses, and the nonresident big game combination licenses. After deducting for required reporting, planning, and pheasant release costs, the department uses the remaining funds to enhance upland game bird habitat. In fiscal 1990, the department spent \$113,621 of these funds, leaving a fiscal 1990 ending fund balance in the upland game bird account of \$1.44 million. The department anticipates

DEPARTMENT OF FISH, WILDLIFE, & PARKS

that the program will expand as it enters into more long-term contracts with landowners to provide and improve habitat. The 1989 legislature also established the Off-highway Vehicle program and appropriated \$155,650 for its operation during the 1991 biennium. Funding was to be provided by registration and fines revenue but, due to shortfalls in anticipated revenue, the program has not become operational. The department estimates that revenue in the 1993 biennium will be sufficient to initiate this program. Lastly, the 1989 legislature created the Montana Conservation Corps and appropriated \$619,624 for its operation during the 1991 biennium, supported by federal funds and receipts from the newly-imposed state park entrance fees. Due to lower park entrance fee collections than anticipated, the department did not implement this program. The agency plans to implement this program in the 1993 biennium, funded entirely with federal funds.

The LFA current level includes funding and FTE for these programs at the level appropriated by the 1989 legislature.

The decrease of 14.91 FTE is the net result of: 1) the elimination of 10.90 FTE associated with one-time only programs the legislature stipulated were not to be included in the 1993 biennium; 2) elimination of 5.51 FTE which were vacant much of the 1991 biennium for a biennial savings of \$276,923; 3) elimination of 1.50 FTE associated with the Little Missouri Water Reservation program expansion which the department replaced with contracted services; 4) elimination of 0.5 FTE associated with the Conservation Education Division's Shooting Range program; and 5) the addition of 3.5 FTE due to a Department of Labor ruling which required the department to add new positions to conduct telephone harvest surveys instead of utilizing contracted services.

Operating expenses increase above fiscal 1990 actual expenditures due to: 1) increased fixed costs, primarily building rent, insurance, and bonds; 2)

inflationary adjustments; 3) state-wide indirect costs; and 4) fully funding the Upland Game Bird, Off-Highway Vehicles, and Montana Conservation Corps programs at levels appropriated by the 1989 legislature.

These increases in operating are offset by: 1) Fisheries Division cyclical cost adjustments in fiscal 1993; 2) reductions in consulting services; 3) removal of one-time only expenditures for evaluating fish population and the Fish and Wildlife Enhancement program; and 4) elimination of the Shooting Range program.

Equipment was budgeted at the agency's request for all divisions, except: 1) Management Services and Parks, which are budgeted at historical expenditure levels; and 2) the Fisheries Division's request for a \$90,000 hatchery truck, which is not included. Fiscal 1990 actual expenditures include \$349,464 for a helicopter.

Grants include the agency's biennium request for \$37,000 to the fisheries unit at Montana State University, \$180,000 to the Department of Livestock for predator control, and \$50,000 to the Natural Heritage program. Land and Water Conservation Fund grants to counties are included in the current level at the fiscal 1990 level.

The department's primary state special revenue funding source is hunting and fishing license revenue. Earmarked license fees fund specific projects such as wildlife habitat and fishing access sites acquisition, upland game bird habitat improvement, and river restoration. Federal funds consist primarily of Pittman-Robertson and Dingell-Johnson grants, Land and Water Conservation Fund revenues, and federal overhead.

Executive Budget Modifications

The Executive Budget includes 40 budget modifications totaling \$5.67 million and 27.49 FTE for the 1993 biennium, of which \$1.5 million is funded by general fund.

DEPARTMENT OF FISH, WILDLIFE, & PARKS

"One-time Only" Modifications

The 1989 legislature, in approving \$1,746,411 in program expansions and increased expenditures for the 1991 biennium in six of the department's programs, included the following language concerning these expenditures in House Bill 100: "In preparing the 1993 biennial budget for legislative consideration, the office of budget and program planning and the legislative fiscal analyst's office may not include [these] expenditures...in the current level base."

The department is considering an additional \$174,295 (the Missouri River

Basin Water Reservations and the Little Missouri Water Reservations program expansions) as one-time-only appropriations although no specific language concerning these appropriations exists in House Bill 100.

The department is requesting continuation of these program expansions during the 1993 biennium. Table 1 lists these "one-time-only" modifications and shows their 1991 biennium appropriations, approved FTE levels, and the amount included in the Executive Budget for each modification expansion in the 1993 biennium.

Table 1
Department of Fish, Wildlife, and Parks
Modifications for One-Time-Only Programs

Program	Modification	1991 Biennium Approved Amount		1993 Biennium Requested Amount	
		(\$)	(FTE)	(\$)	(FTE)
Field Services	Block Management	\$335,782	3.30	\$346,228	3.30
	Fish. & Motor. Access	74,353	1.00	81,330	1.00
	Microcomputer Support	47,382	1.00	63,704	1.00
Fisheries	MO Basin Res.*	120,000	0.00	120,000	0.00
	Little MO Res.*	54,295	1.50	46,826	0.00
	Streambank Projects	82,000	0.00	82,000	0.00
	USFS Fish Data**	93,970	1.25	114,999	1.25
	Evaluate Fish Pop.***	207,946	2.50	220,354	2.50
	Fish. & Motor. Access	71,860	0.75	66,071	0.75
	Flathead Lake Fishery	43,368	0.50	47,853	0.50
Law Enforcement	Enforce. Relocation	54,000	0.00	54,000	0.00
Wildlife	Hab./Timber Plans	32,827	0.00	32,500	0.00
	Helicopter Rental	181,200	0.00	181,200	0.00
Con. Ed.	Non-game Wildlife	57,115	0.60	60,000	0.60
Administration	Salinity Control	150,000	0.00	150,000	0.00
	Sikes Act	250,000	0.00	300,000	0.00
	Predator Control	40,000	0.00	108,000****	0.00
	Legal Services	24,608	0.00	24,600	0.00
TOTALS		\$1,920,706	12.40	\$2,099,665	10.90

* Included as one budget modification for the 1993 biennium in the Executive Budget. The department has contracted, rather than filled, the 1.5 FTE for the Little Missouri.

** 1.0 FTE approved in fiscal 1990

*** 2.0 FTE approved in fiscal 1990

****Contains \$68,000 of funds to be transferred to DSL for administration of DFWP dams.

DEPARTMENT OF FISH, WILDLIFE, & PARKS

Program Expansions

In addition to continuing these "one-time-only" programs, the Executive Budget includes \$3,573,221 and 16.59 FTE for additional programs and program ex-

pansions in the 1993 biennium. General fund is requested to fund the \$1.5 million Parks Division modification. These requests are summarized in Table 2.

Table 2
Department of Fish, Wildlife and Parks
Modifications for Program Expansions

Program	Modification	Fiscal 1992		Fiscal 1993		Biennium Total (\$)
		Amount (\$)	FTE	Amount (\$)	FTE	
Mgn. Services	Fiscal Mgn. Position	\$ 35,105	1.00	\$ 33,726	1.00	\$ 68,831
	Vehicle Account	77,732	0.00	81,113	0.00	158,845
Field Services	Block Mgn. Expansion	137,000	3.00	137,000	3.00	274,000
	Game Damage	50,000	0.00	75,000	0.00	125,000
	Sporting Info.	17,000	0.00	17,000	0.00	34,000
	Lic. Agt. Commissions	10,300	0.00	97,300	0.00	107,600
	Dept. Property	60,000	0.00	60,000	0.00	120,000
	Land Records	35,000	0.00	35,000	0.00	70,000
Fisheries	Clark Fork Invest.	50,042	1.00	50,040	1.00	100,082
	Fish Hatchery Op.	55,000	0.00	55,000	0.00	110,000
	Handicapped Fish Regs	6,000	0.00	0	0.00	6,000
Law Enforcement	Special Invest.	80,000	1.00	80,000	1.00	160,000
Wildlife	Canyon Ferry WMA	7,712	0.40	7,706	0.40	15,418
Parks	Park Futures Comm.	750,000	8.06	750,000	8.06	1,500,000
	Fish. Access Maint.	50,000	0.63	50,000	0.63	100,000
	Capitol Grounds	27,776	0.50	27,769	0.50	55,545
Con. Ed.	Watchable Wildlife	22,900	0.00	25,000	0.00	47,900
	Update Hunter Ed.	25,000	0.00	25,000	0.00	50,000
Administration	Legal Services	50,000	1.00	50,000	1.00	100,000
	Tribal Relations	40,000	0.00	40,000	0.00	80,000
	Interagency Support	25,000	0.00	25,000	0.00	50,000
	GIS	50,000	0.00	40,000	0.00	90,000
	Reg. Office Support	75,000	0.00	75,000	0.00	150,000
TOTALS		\$1,736,567	16.59	\$1,836,654	16.59	\$3,573,221

Issues

permits, provides nearly 50 percent of total department funding.

Fund Balance

The Fish and Game Commission is requesting hunting and fishing license fee increases totalling \$5.17 million during the 1993 biennium, \$4.9 million of which will be deposited into the general license account. The general license account, which receives 97 percent of its revenue from the sale of hunting and fishing licenses and other

From fiscal 1987 through fiscal 1990, the department expended more general license account dollars than it collected. In addition, fiscal 1991 appropriations are in excess of anticipated revenues. This revenue/expenditure imbalance has reduced the general license account's ending fund balance from \$8.98 million in fiscal 1986 to \$5.52 million in fiscal 1990. This imbalance exists

DEPARTMENT OF FISH, WILDLIFE, & PARKS

because in recent years: 1) the number of licenses sold has remained relatively constant; 2) license fee increases have been earmarked for new programs; and 3) expenditures have increased faster than revenues due primarily to construction of new headquarters, upgrading of fish hatcheries, and program expansions.

Budget modifications (program expansions) funded from the general license account have increased steadily over the past biennia. Table 3 lists two bienniums and the modifications for the 1993 biennium included in the Executive Budget.

Table 3
General License Account
Funded Modifications

<u>1989</u> <u>Biennium</u>	<u>1991</u> <u>Biennium</u>	<u>1993</u> <u>Biennium</u>
\$1,004,665	\$1,212,849	\$2,816,092

If the legislature approves the department's budget request for the 1993 biennium, the general license account

will need additional revenue during the 1993 biennium. However, if the legislature maintains spending at current levels (with adjustments for inflation and pay increases), the account will remain solvent through the 1993 biennium.

Table 4 is a cash flow analysis for the general license account with expenditures at the Executive Budget level, including budget modifications and requested capital outlay expenditures. Based on this expenditure level and current revenues, the account will have a \$1.27 million deficit by end of fiscal 1993.

Table 5 is a cash flow analysis for the account with expenditures at the LFA current budget level. At this expenditure level and with current revenues, the account will have a \$5.08 million surplus at the end of fiscal 1993.

In both tables, revenues are those estimated by the department. The 4.5 percent per year pay plan increase proposed in the Executive Budget is included in both tables for comparison purposes.

Table 4
DFWP General License Account
Executive Budget

	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>
Beginning Balance	\$ 6,979,167	\$ 5,517,242	\$ 4,337,578	\$ 1,869,012
Revenues	<u>16,105,914</u>	<u>16,057,448</u>	<u>15,556,100</u>	<u>15,482,700</u>
Total Funds Available	<u>\$23,085,081</u>	<u>\$21,574,690</u>	<u>\$19,893,678</u>	<u>\$17,351,712</u>
Disbursements				
Program Expenditures	\$14,896,805	\$14,886,230	\$14,912,937	\$14,882,172
Continuing Capital Costs	2,300,323	2,121,575	503,906	434,615
Long Range Building Projects	0	0	413,500	413,500
1991 Biennium Modifications	0	0	574,329	574,662
Requested Budget Mods	0	0	786,232	880,869
4.5% of Total Personal Serv.	<u>0</u>	<u>0</u>	<u>708,222</u>	<u>1,435,792</u>
Total Disbursements	<u>\$17,197,128</u>	<u>\$17,007,805</u>	<u>\$17,899,126</u>	<u>\$18,621,610</u>
Adjustments	\$(370,711)	\$(229,307)	\$(125,540)	\$0
Ending Balance	\$ 5,517,242	\$ 4,337,578	\$ 1,869,012	\$(1,269,898)

DEPARTMENT OF FISH, WILDLIFE, & PARKS

Table 5
DFWP General License Account
LFA Current Level

	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>
Beginning Balance	\$ 6,979,167	\$ 5,517,242	\$ 4,337,578	\$ 4,878,322
Revenues	<u>16,105,914</u>	<u>16,057,448</u>	<u>15,556,100</u>	<u>15,482,700</u>
Total Funds Available	<u>\$23,085,081</u>	<u>\$21,574,690</u>	<u>\$19,893,678</u>	<u>\$19,947,522</u>
<u>Disbursements</u>				
Program Expenditures	\$14,896,805	\$14,886,230	\$13,696,656	\$13,434,298
Continuing Capital Costs	2,300,323	2,121,575	503,906	434,615
Long Range Building Projects	0	0	0	0
1991 Biennium Modifications	0	0	0	0
Requested Budget Modifications	0	0	0	0
4.5% of Total Personal Services	<u>0</u>	<u>0</u>	<u>689,254</u>	<u>1,409,472</u>
Total Disbursements	<u>\$17,197,128</u>	<u>\$17,007,805</u>	<u>\$14,889,816</u>	<u>\$15,278,385</u>
Adjustments	\$ (370,711)	\$ (229,307)	\$ (125,540)	\$ 0
Ending Balance	\$5,517,242	\$4,337,578	\$4,878,322	\$ 5,082,637

In the next two biennia, three factors will improve the account's financial position: 1) debt service payments for existing bonds are declining and will end in fiscal 1995; 2) federal regulations require interest on the account be redirected from the state general fund to the department; and 3) certain license revenues currently earmarked for the Wildlife Habitat program will revert to the general license account in fiscal 1995. If spending is maintained at current levels, these factors and the account's balance will be sufficient to fund the current level, inflationary increases, and pay plan through the 1995 biennium. If, however, the legislature wants to fund program expansion, increased revenue will be necessary.

The Fish and Game Commission proposes to raise additional revenue to help fund the Executive Budget spending level by increasing hunting and fishing license fees, expanding the special Big Game License Auction program, and initiating a big game license raffle. Other options for increasing revenue to the account include increasing fees/quotas

and de-earmarking license fees which now go to other state special accounts for special programs.

Annually, a total of \$4,013,000 license dollars are earmarked for special programs. Associated with these funds are \$2,824,000 in fund balances. Increasing the quota on the nonresident elk combination license from 17,000 to 18,200 would generate an additional \$540,000, of which \$420,000 would go to the general license account. Revenue generated by increased license fees depend on the license considered, the amount of the increase, and the decline in quantity demanded.

Legislative Contract Authority

Legislative contract authority (LCA) provides a means by which the legislature can appropriate federal and private funds the department may receive during the biennium, eliminating the need for budget amendments. The department has received LCA authority every year since fiscal 1982. The department received \$2,287,500 in LCA each year of the 1991 biennium, of which

DEPARTMENT OF FISH, WILDLIFE, & PARKS

\$1,538,981 was spent and 37.58 FTE added in fiscal 1991. Table 6 lists the LCA approved for each program in the 1991 biennium and the agency's request for the 1993 biennium. The department has

also transferred \$48,100 of LCA among various programs in fiscal 1990. Included in the department's 1993 budget request is \$2,909,500 of LCA in fiscal 1992 and \$3,096,500 in fiscal 1993.

Table 6
Legislative Contract Authority

<u>Program</u>	<u>Authorized Fiscal 1990</u>	<u>Authorized Fiscal 1991</u>	<u>Requested Fiscal 1992</u>	<u>Requested Fiscal 1993</u>
Management Services	\$ 50,000	\$ 50,000	\$ 65,000	\$ 65,000
Field Services	0	0	0	0
Fisheries	1,000,000	1,000,000	1,245,000	1,505,000
Law Enforcement	7,500	7,500	40,000	40,000
Wildlife	1,165,000	1,165,000	1,404,500	1,331,500
Parks	0	0	25,000	25,000
Conservation Ed.	0	0	30,000	30,000
Administration	65,000	65,000	100,000	100,000
Total	\$2,287,500	\$2,287,500	\$2,909,500	\$3,096,500

The legislature has included special language addressing legislative contract authority of the department:

"The appropriation for the legislative contract authority ... is subject to the following provisions:

- (1) Legislative contract authority applies only to federal and private funds.
- (2) Legislative contract authority expenditures must be reported on

state accounting records. The records must be separate from current level operations.

- (3) A report must be submitted by the department to the legislative fiscal analyst following the end of each fiscal year of the biennium. The report must include a listing of projects with the related amount of expenditures for each project."

The LFA current level budget does not include LCA.

MANAGEMENT SERVICES DIVISION

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	40.20	40.20	33.45	33.45	-6.75
Personal Services	812,174	1,107,626	884,725	884,510	-7.84%
Operating Expenses	1,595,228	1,720,369	1,764,532	1,757,855	6.24%
Equipment	1,016,887	690,629	607,577	671,246	-25.11%
Transfers	163,651	176,020	0	0	-100.00%
Total Program	\$3,587,940	\$3,694,644	\$3,256,834	\$3,313,611	-9.78%
Fund Sources					
State Revenue Fund	1,550,391	1,395,757	1,041,067	1,067,850	-28.42%
Federal Revenue Fund	310,620	444,655	546,500	545,037	44.52%
Proprietary Fund	1,726,929	1,854,232	1,669,267	1,700,724	-5.90%
Total Funds	\$3,587,940	\$3,694,644	\$3,256,834	\$3,313,611	-9.78%

Program Description

The Management Services Division is an administrative and support unit. It provides department-wide support for accounting, fiscal management, purchasing and property management, personnel, federal aid administration, and word processing functions. In addition, the program administers a planning system to formulate and evaluate department-wide work efforts. The Legal Unit was transferred from this program to the Administration program.

Current Level Budget

The division's current level decreases 9.8 percent from the previous biennium due to decreases in all expense categories except operations. The 7.8 percent decrease in personal services reflects: 1) transfer of the Legal Unit and 4.0 FTE to the Administration Division; 2) transfer of 1.0 FTE to the Administration Division; and 3) elimination of 1.75 FTE (an administrative officer and an administrative clerk), which had been vacant much of 1991 biennium, for a biennial savings of \$92,642. Equipment, excluding vehicles, is budgeted at the agency's request. While the department requested replacement of 92 vehicles, the current level includes funds for 90 vehicles, which is consistent with

historical expenditure levels. Requested funding for helicopter maintenance is not included in current level. Fiscal 1990 actual expenditures include \$349,464 for the purchase of a helicopter.

Transfer authority for vehicle replacement cost differential is eliminated in the 1993 biennium to allow the legislature the opportunity to review the department's 1993 biennium request for this authority. This differential is the additional cost, due to inflation, of replacing vehicles. Fiscal 1990 expenditures and \$126,000 in fiscal 1991 represent this replacement differential. Transfers appropriated in fiscal 1991 also include \$50,000 of legislative contract authority (LCA). Actual expenditures of LCA have been excluded from fiscal 1990 figures.

Biennial increases in operating expenses include: 1) \$142,907 in insurance and bonds; 2) \$3,363 in audit costs; 3) \$151,110 in rent; 4) \$139,968 in state-wide indirect costs; and 5) \$105,860 in inflationary adjustments (primarily gasoline). Biennial decreases in operations, which partially offset the increases, include: 1) \$93,566 in consulting and professional services which were budgeted at the agency's request; and 2) a \$6,984 reduction in payroll service fees.

MANAGEMENT SERVICES DIVISION

The division's operating budget is funded from the general license account and from indirect costs funds associated with federal grants and assessments on state special revenue accounts used to fund the Parks Division. The federal overhead rate of 16 percent is applied to federal grants which include Pittman-Robertson and Dingell-Johnson funds, Land and Water Conservation Fund monies, Corps of Engineers, and Coast Guard grants. The Field Services and Administration divisions also share a portion of this indirect cost pool. The same federal overhead rate (less SWCAP) is applied to the revenue estimates on the state special revenue accounts used to fund the Parks Division. The division's two proprietary accounts consist of: 1) the equipment enterprise account, which funds vehicle replacements and receives revenue from a per-mile charge to all department's programs for use of vehicles; and 2) the warehouse account, which funds the sale of department's surplus property.

funded from the general license account to provide assistance in budget preparation and in monitoring the laws and rules relating to the department's various earmarked accounts.

Vehicle Account

The Executive Budget includes \$158,845 additional authority for the biennium from the department's equipment enterprise proprietary account (which had a \$3,397,909 fiscal 1990 ending fund balance). This account receives \$0.25 per mile from vehicles used by all programs in the department and in turn pays all costs from this account. The department has tabulated travel costs associated with the other Executive Budget modifications (excluding the one-time-only modifications) and is requesting the total amount to pay anticipated increased vehicle expenses.

Executive Budget Modifications

Fiscal Management Position

Included in the Executive Budget is \$68,831 and 1.0 FTE for the biennium

FIELD SERVICES DIVISION

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	45.41	45.41	40.11	40.11	-5.30
Personal Services	1,041,386	1,253,240	1,127,775	1,127,633	-1.71%
Operating Expenses	1,356,240	1,614,787	1,368,062	1,365,247	-8.00%
Equipment	106,615	96,420	114,701	114,701	12.99%
Benefits and Claims	<u>4,274</u>	<u>3,000</u>	<u>4,274</u>	<u>4,274</u>	<u>17.51%</u>
Total Program	\$2,508,515	\$2,967,447	\$2,614,812	\$2,611,855	-4.55%
<u>Fund Sources</u>					
State Revenue Fund	2,201,038	2,619,143	2,063,189	2,054,242	-14.58%
Federal Revenue Fund	210,801	244,060	453,626	459,641	100.78%
Proprietary Fund	<u>96,676</u>	<u>104,244</u>	<u>97,997</u>	<u>97,972</u>	<u>-2.47%</u>
Total Funds	\$2,508,515	\$2,967,447	\$2,614,812	\$2,611,855	-4.55%

Program Description

The Field Services Division provides services in six broad areas of responsibilities. The Game Damage program provides informational and material assistance to landowners for minimizing impacts of game animals to their property and crops. The Design and Construction Bureau provides architectural and engineering services to all department divisions for construction and maintenance projects at state parks, state fishing access sites, and wildlife management areas. The Aircraft Unit provides aerial mountain lake surveys and fish planting, wildlife surveys, wildlife capture and marking, and transportation flights for the department. The Landowner/Sportsmen Relations and Block Management programs establish and maintain communication with user and resource-based organizations and individuals. They also administer the Livestock Loss Reimbursement program and the Block Management program, which provides habitat and recreational access on private property. The Land Unit is responsible for the technical real estate functions of the department, including acquisition and disposal of real estate and real property and management of all permanent land records and cabin leases. The Licensing and Data Processing function of the program provides support for the department's

automated functions and administers the license drawings, maintains all associated records, distributes all licenses to licensing agents, and keeps the necessary records.

Current Level Budget

The division's current level decreases 4.6 percent from the previous biennium due to decreased personal services and operating expenses. Personal services decline 1.7 percent because of the elimination of 5.3 FTE associated with program expansions the legislature stipulated were not to be included in the 1993 biennium budget. Operating expenses decline 8.0 percent between the two biennia due to higher amounts appropriated in fiscal 1991 than was spent in fiscal 1990. Fiscal 1992 and 1993 operating expenses are slightly higher than fiscal 1990 actual expenditures due primarily to increased rent for the department's Helena facility, and for the sign shop in Whitehall. Equipment, which includes the department's request for 93 computers and four printers, is budgeted at historical expenditure levels. Benefits and claims represent the Livestock Loss program's reimbursement payments made in fiscal 1990 to owners whose livestock was shot by hunters.

State special revenue funding is primarily from the general license

FIELD SERVICES DIVISION

account with lesser amounts from coal tax trust revenue and wildlife habitat trust interest. Federal funding consists of this division's share of the indirect cost pool, as well as Dingell-Johnson and Pittman-Robertson federal grants. The division's quick copy center is funded from the sole proprietary fund.

Executive Budget Modifications

"One-Time-Only" Modifications

The 1989 legislature stipulated that expenditures from certain program expansions were not to be included in the 1993 biennium current level budget prepared for legislative consideration. The Executive Budget includes continued funding for the following "one-time-only" programs.

Block Management

The Executive Budget includes \$346,228 and 3.3 FTE for the biennium from the general license account to continue the Block Management program to meet the demand of landowners for assistance in hunter management and sportsmen's requests for more opportunity to hunt on private lands. This program was established in 1985 to facilitate public hunting on private land while assisting landowners in dealing with the hunting public. Issues being dealt with in this program are people management, wildlife management, noxious weeds, and erosion. Under this program, approximately 4.5 million acres have been opened to public hunting. Another budget modification (discussed later) requests expansion of this program.

Fishing and Motorboat Access

The Executive Budget includes \$81,330 and 1.0 FTE for the biennium funded one-fourth from the general license account and three-fourths from the federal fish-wildlife restoration grant account to continue an engineering position to design site developments for motorboat and fishing access sites.

Microcomputer Support

The Executive Budget includes \$63,704 and 1.0 FTE for the biennium from the general license account to continue providing technical support and assistance for department computer users.

Program Expansions

The Executive Budget also includes the following program expansions.

Block Management Expansion

The Executive Budget includes \$274,000 and 3.0 FTE for the biennium from the general license account to expand the Block Management program, if increases in base funding, as requested by the department in the above budget modification, are continued by the legislature. Enrollment in the program is expected to increase in the next biennium.

Game Damage

Increased funding of \$50,000 in fiscal 1992 and \$75,000 in fiscal 1993 from the general license account is included in the Executive Budget to provide additional funding to address chronic game damage (depredation) on private lands. Since 1983, the department has purchased equipment and material to deal with depredation, as well as providing herding and damage hunts when necessary. The department states that needs and costs of this program have increased over the past several years. In addition, increased depredation problems in fiscal 1990 caused the department to deplete its back-up inventory of fencing supplies for landowner assistance. The department feels it is prudent to maintain an inventory of materials to deal with unexpected weather conditions, which can lend to increased game damage.

Sporting Information

The Executive Budget includes \$34,000 for the biennium from the general license account to develop informational displays for use by license agents. In addition to selling licenses, these agents distribute information to the sporting public about the department's programs.

FIELD SERVICES DIVISION

License Agent Commission

This budget modification includes \$10,300 for fiscal 1992 and \$97,300 for fiscal 1993 from the general license account to increase the commission paid to license agents from the current \$0.30 per license to \$0.40 in fiscal 1992 and to \$0.50 in fiscal 1993. There are approximately 400 businesses acting as license agents that sell hunting and fishing licenses for the department. The department states that commission rates paid to these agents have not been increased in five years and are one of the lowest in the nation.

Development and Maintenance of Department Property

The Executive Budget includes \$120,000 for the biennium from the general license account to provide additional design and construction support for wildlife management areas, waterfowl projects, parks, and fishing access sites.

Computerize Land Records

The Executive Budget includes \$70,000 for the biennium from the general license account to complete computerization and verification of all land records to meet legal and information requests.

FISHERIES DIVISION

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	108.59	110.00	101.30	101.30	-8.70
Personal Services	2,799,220	3,166,117	2,989,397	2,990,203	.24%
Operating Expenses	1,502,029	1,622,532	1,432,311	1,271,854	-13.46%
Equipment	178,549	224,863	128,873	146,373	-31.77%
Grants	55,726	18,500	18,500	18,500	-50.15%
Transfers	0	1,000,000	0	0	-100.00%
Total Program	\$4,535,524	\$6,032,012	\$4,569,081	\$4,426,930	-14.87%
Fund Sources					
State Revenue Fund	2,363,794	3,213,936	2,188,060	1,921,450	-26.32%
Federal Revenue Fund	2,171,730	2,818,076	2,381,021	2,505,480	-2.07%
Total Funds	\$4,535,524	\$6,032,012	\$4,569,081	\$4,426,930	-14.87%

Program Description

The Fisheries Division is responsible for preserving and perpetuating aquatic species and their ecosystems and for meeting public demand for fishing opportunities. The division formulates and implements policies and programs that emphasize management for wild fish populations and protection of habitat necessary to maintain these populations. The program operates a hatchery program to stock lakes and reservoirs where natural reproduction is limited, regulates angler harvests, monitors fish populations, and provides and maintains adequate public access.

Current Level Budget

The division's current level decreases 14.9 percent from the previous biennium due to decreases in all expenditure categories except personal services. The difference between the fiscal 1991 personal services appropriated level and the fiscal 1992 level is due to the decrease of 8.7 FTE. This decrease includes: 1) 5.0 FTE from programs the legislature stipulated were not to be included in the 1993 biennium budget; 2) 1.5 FTE appropriated in the 1991 biennium for the Little Missouri Water Reservation program expansion which the department replaced with contracted services; 3) 0.5 FTE transferred to the

Administration Division; and 4) 1.7 FTE, which were vacant much of the 1991 biennium and are not included in the 1993 biennium current level (for a biennial savings of \$64,603). Most of the FTE decrease represents partial positions which do not have full employee benefits.

Biennial decreases in operating expense from fiscal 1990 actual expenses include: 1) \$134,800 of cyclical cost adjustments which occur only in fiscal 1993; 2) \$88,168 in consulting services in accordance with the agency's request and historical expenditures; 3) \$141,356 of "one-time-only" expenditures to evaluate fish populations; and 4) \$3,956 insurance, audit, and building rent. Biennial increases in operating expenses which partially offset these decreases include \$67,684 in inflationary adjustments, including \$2,812 for gasoline and \$22,422 for food. Equipment is budgeted at the agency's request, minus the \$90,000 requested in fiscal 1992 for a hatchery truck. The 1989 legislature provided a line-item appropriation of \$167,000 in the 1991 biennium to purchase two hatchery trucks, stating these expenditures were not to be included in the 1993 biennium budget base. Grants, which are budgeted at the agency's request, include a \$18,500 grant to the cooperative fisheries unit at Montana State University. The \$1.0 million transfer authority in fiscal 1991 represents

FISHERIES DIVISION

legislative contract authority (LCA) which has not been included in the current level budget for the 1993 biennium. Expenditures from LCA have been excluded from fiscal 1990 actual expenditures.

The division's state special revenue funding is from the general license account. Federal funds consist of Pittman-Robertson and Dingell-Johnson grants and grants from the Coast Guard and the Corps of Engineers.

Executive Budget Modifications

"One-Time-Only" Modifications

The 1989 legislature stipulated that expenditures from certain program expansions were not to be included in the 1993 biennium current level budget prepared for legislative consideration. The Executive Budget includes continued funding for the following "one-time-only" programs.

Streambank Projects

The Executive Budget includes \$82,000 for the biennium funded one-fourth from the general license account and three-fourths from the federal fish-wildlife restoration grant account to pay legal service contracts. These contracted legal services represent the department in review of Natural Stream Bed and Land Preservation Act projects, irrigation diversions, and U.S. Forest Service projects in specific regions.

USFS Fisheries Data Project

Increased funding of \$114,999 and 1.25 FTE for the biennium funded one-fourth from the general license account and three-fourths from the federal fish-wildlife restoration grant account is included in the Executive Budget to allow continued cooperative collection of fisheries data on or adjacent to national forest lands. These data are used in the decision-making process for forest management activities.

Evaluation of Fish Population

This budget modification includes \$220,354 and 2.5 FTE for the biennium funded one-fourth from the general license account and three-fourths from

the federal fish-wildlife restoration grant account for continued evaluation and monitoring of fish populations. The data from this monitoring are used to develop and assess management plans, set regulations, and assess habitat conditions on priority waters including Flathead Lake, Flathead River, Rock Creek, Blackfoot River, Big Hole River, Beaverhead River, Missouri River, Canyon Ferry Reservoir, Hauser Reservoir, Holter Reservoir, Yellowstone River, Bighorn River, and Fort Peck Reservoir.

Fishing and Motorboat Access

The Executive Budget includes \$66,071 and 0.75 FTE for the biennium funded one-fourth from the general license account and three-fourths from the federal fish-wildlife restoration grant account to help administer the fishing access and motorboat access programs. This funding provides oversight and coordination for fishing access site acquisition, maintenance, development, and protection. In addition, the funding helps coordinate activities associated with federal matching aid, inventorying and prioritizing sites, developing maintenance guidelines, and determining the feasibility of cooperative partnerships for site management.

Flathead Lake Fishery

This budget modification includes \$47,853 and 0.5 FTE for the biennium funded one-fourth from the general license account and three-fourths from the federal fish-wildlife restoration grant account to continue stocking of Flathead Lake Kokanee salmon on an experimental basis in response to the decline in survival of naturally spawned fish.

Program Expansions

The Executive Budget also includes the following modifications for program expansion.

Missouri Basin Reservations

This budget modification requests \$166,826 for the biennium funded one-fourth from the general license account and three-fourths from the federal fish-wildlife restoration grant account. This request includes \$46,826 which

FISHERIES DIVISION

would allow the department to continue paying its share of the cost of preparing an environmental impact statement on the Missouri River Basin water reservations. It also includes \$120,000 to allow the department's continued participation in the water reservations process on the Little Missouri River. The application process will be completed by July 1991 and the department anticipates costs for holding contested case hearings, preparing hearing transcripts, paying outside expert witnesses, and other legal costs. This request combines two program expansions authorized by the 1989 legislature. Although there is no language in House Bill 100 specifically qualifying them as one-time-only appropriations, the department is considering them as such and is requesting authority for the 1993 biennium.

Clark Fork River Investigation

The Executive Budget includes \$100,082 and 1.0 FTE for the biennium funded one-fourth from the general license account and three-fourths from the federal fish-wildlife restoration grant account to provide additional data collection and

analysis on impacts of past mining activities on the aquatic resources on the upper Clark Fork River.

Fish Hatchery Operations

This budget modification includes \$110,000 for the biennium funded one-fourth from the general license account and three-fourths from the federal fish-wildlife restoration grant account to provide funding for inflationary increases in fish food and to provide for maintenance, repair, and increased utility costs at hatcheries other than the Miles City hatchery. The 1989 legislature authorized a \$163,768 biennium expansion for the Miles City hatchery which included increased operational costs. In addition, the modification would fund the increased costs of fish health analysis and lake trout egg-take at Fort Peck.

Handicapped Anglers Fish Regulations

The Executive Budget includes \$6,000 in fiscal 1992 from the general license account to develop and distribute fishing regulations in a format usable by visually impaired anglers.

LAW ENFORCEMENT DIVISION

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	94.02	95.52	95.18	94.82	-.70
Personal Services	2,881,031	3,161,666	3,108,711	3,098,816	2.73%
Operating Expenses	919,029	1,111,040	927,784	926,952	-8.64%
Equipment	196,029	100,890	100,890	100,890	-32.04%
Transfers	0	7,500	0	0	-100.00%
Total Program	\$3,996,089	\$4,381,096	\$4,137,385	\$4,126,658	-1.35%
<u>Fund Sources</u>					
State Revenue Fund	3,819,358	4,182,089	3,946,358	3,935,914	-1.49%
Federal Revenue Fund	176,731	199,007	191,027	190,744	1.61%
Total Funds	\$3,996,089	\$4,381,096	\$4,137,385	\$4,126,658	-1.35%

Program Description

The Law Enforcement Division is responsible for ensuring compliance with the department's laws and regulations for the protection and preservation of big game animals, fur-bearing animals, fish, game birds, and other wildlife species. It also enforces laws and regulations relative to department-owned lands or waters and those pertaining to boating, hunting, snowmobile, and all-terrain vehicle safety. Other duties include administration of special purpose licenses, oversight of the department's licensing agents, and investigation of wildlife damage complaints.

Current Level Budget

The division's current level decreases 1.4 percent over the previous biennium mainly due to decreases in operating expenses and equipment. Although fiscal 1992 and 1993 operating expenses are less than the fiscal 1991 appropriated level, they are higher than fiscal 1990 actual expenditures because of the biennial increase in rent for the special investigations unit and \$11,185 in inflationary adjustments.

Personal services increase 2.7 percent due primarily to vacancy savings achieved in fiscal 1990; the fiscal 1991 pay plan increase which is continued in

the 1993 biennium; and the addition of \$82,601 for the biennium to fully fund the authorized 1.32 FTE in the Off-highway Vehicle program. This program, which was established by the 1989 legislature, had no expenditures in fiscal 1990 since the program was not yet operational. The 0.34 decrease in FTE between fiscal 1991 and 1992 is due to program transfers. The 0.36 FTE decrease between fiscal 1992 and 1993 reflects a net program transfer from the Law Enforcement Division to the Off-Highway Vehicle program in the Parks Division.

Equipment, which is budgeted at the agency's request, includes nine replacement snowmobiles, nine off-highway vehicles, six boats, four horse trailers, five horses, 16 radios, eight kayaks, and three saddles.

The \$7,500 transfer authority in fiscal 1991 represents legislative contract authority which has not been budgeted in the 1993 biennium. Expenditures from LCA have been excluded from fiscal 1990.

The division is funded primarily with state special revenue consisting of general license funds, motorboat certification and fuel taxes, state park funds, income from the coal tax trust, and snowmobile registration funds. Federal funding consists of grant funds from the Coast Guard and the Corps of Engineers.

LAW ENFORCEMENT DIVISION

Executive Budget Modifications

"One-Time-Only" Modification

The 1989 legislature stipulated that expenditures from certain program expansions were not to be included in the 1993 biennium current level budget prepared for legislative consideration. The Executive Budget includes continued funding for the following "one-time-only" program.

Enforcement Relocation

The Executive Budget includes \$54,000 for the biennium from the general license account to continue an annual \$27,000 increase in employee relocation costs in addition to the \$23,373 per year contained in the current level budget. The department encourages relocation of wardens to different areas in the state. The department reimburses the moving costs and costs of locating a new residence for the relocated individuals.

The department anticipates 10 to 12 warden retirements in the 1993 biennium, which will cause additional relocation expenses. In fiscal 1990, seven wardens retired and \$39,000 was spent on relocation expenses.

Program Expansion

The Executive Budget also includes the following modification for program expansion.

Special Investigations

Increased funding of \$160,000 and 1.0 FTE for the biennium from the general license account is included in the Executive Budget to expand the Special Investigation Unit, which investigates illegal taking and trafficking in animal parts. Currently, the department has one individual to cover field investigations. The department states that this investigator should not be working alone. Operational expenses constitute over \$87,000 of this request.

WILDLIFE DIVISION

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	94.93	94.93	95.78	95.78	.85
Personal Services	2,742,964	2,975,368	2,923,763	2,924,553	2.27%
Operating Expenses	1,837,761	2,024,721	2,624,498	2,629,389	36.02%
Equipment	95,172	111,885	111,614	111,685	7.84%
Grants	55,262	36,380	0	0	-100.00%
Transfers	0	1,165,000	0	0	-100.00%
Total Program	\$4,731,159	\$6,313,354	\$5,659,875	\$5,665,627	2.54%
<u>Fund Sources</u>					
State Revenue Fund	2,572,688	2,755,028	3,470,390	3,474,806	30.36%
Federal Revenue Fund	2,158,471	3,558,326	2,189,485	2,190,821	-23.38%
Total Funds	\$4,731,159	\$6,313,354	\$5,659,875	\$5,665,627	2.54%

Program Description

The Wildlife Division is responsible for the department's statewide Wildlife Management program to enhance the use of Montana's renewable wildlife resources for public benefit. It protects, regulates, and perpetuates wildlife populations with habitat management and regulated harvest. Through promotion of land management practices, wildlife habitat areas are maintained and enhanced. In addition, the program provides wildlife recreational opportunities to the public and provides public information regarding conservation of wildlife populations and wildlife habitats. The program manages nearly 502 species of animals legislatively categorized as big game, small game, furbearers, nongame, and threatened and endangered species. The department will request that, beginning in fiscal 1992, nongame promotion be transferred from this division to the Conservation Education Division.

Current Level Budget

The division's current level increases 2.5 percent from the previous biennium due primarily to increases in personal services and operating expenses. The 2.3 percent increase in personal services is due mostly to vacancy savings achieved in fiscal 1990 and the

fiscal 1991 pay plan increase which is continued in the 1993 biennium. The net 0.85 FTE increase is due to: 1) 3.5 FTE added to comply with a Department of Labor ruling that department staff, rather than contracted services, conduct telephone harvest surveys; 2) transfer of 1.0 FTE to the Conservation Education Division; 3) transfer of 0.5 FTE to the Administration Division; and 4) elimination of 1.15 FTE (a fish and game officer and a laboratory aide), which had been vacant for much of the 1991 biennium, for a biennial savings of \$83,096. The increase in biennial personal services includes \$70,684 for fully funding the 1.0 FTE in the Upland Game Bird program, which had no personal services expenditures in fiscal 1990 because the program was not yet fully operational. The fiscal 1991 budget for personal services exceeds the amount needed to fully fund current positions in the 1993 biennium due to staff turnover.

The 36 percent increase in operating expenses results from fully funding the Upland Game Bird program at the level appropriated by the 1989 legislature. Of the \$1,811,918 appropriated in the 1991 biennium for this program, the department spent \$113,621 in fiscal 1990. The department anticipates growth in this program as it enters into more long-term contracts with landowners to provide and improve habitat. Other biennial changes include: 1) a \$12,120

WILDLIFE DIVISION

decrease in consulting services, reflecting the agency's request; and 2) \$35,702 in inflationary adjustments.

Equipment, which is budgeted at the agency's request, includes a tractor, nine radios, six snowmobiles, three all-terrain vehicles, two camping trailers, and numerous receivers and transmitters to track game. The \$1,165,000 transfer authority in fiscal 1991 represents legislative contract authority (LCA) which has not been budgeted in the 1993 biennium. Expenditures from LCA have been excluded from fiscal 1990 actual expenditures.

The majority of state special revenue funding consists of hunting and fishing license revenue. Earmarked hunting license fees entirely fund the Upland Game Bird and the Wildlife Habitat programs. Other specialized programs are financed from revenues earned from earmarked hunting and fishing license fees. Federal funding consists of Pittman-Robertson and Dingell-Johnson funds as well as grants from the Coast Guard and Corps of Engineers.

Executive Budget Modifications

"One-Time-Only" Modifications

The 1989 legislature stipulated that expenditures from certain program expansions were not to be included in the 1993 biennium current level budget prepared for legislative consideration. The Executive Budget includes continued funding for the following "one-time-only" programs.

Habitat/Timber Sales Plans

The Executive Budget includes \$32,500 for the biennium from the general license account to continue funding for a wildlife biologist position in the Department of State Lands (DSL). This position, which is jointly funded with DSL, implements habitat guidelines for

state forest lands on timber sales and trains DSL employees concerning wildlife values in timber sales planning.

Helicopter Rental

This budget modification includes \$181,200 for the biennium funded one-half from the general license account and one-half from the federal fish-wildlife restoration grant account to provide an additional \$90,600 per year for private aircraft rental paid to the department's equipment enterprise proprietary account. The 1989 legislature authorized \$363,600 annually for this purpose, which was \$90,600 above the amount expended in fiscal 1988. This increase was approved because mild weather conditions in the 1988 base year resulted in lower than average expenditures and because of higher helicopter rates charged due to the purchase of a 1977 Hughes 500 helicopter in fiscal 1990.

Program Expansion

The Executive Budget also includes the following proposed program expansion.

Canyon Ferry Wildlife Management Area
Increased funding of \$15,418 and 0.4 FTE for the biennium from the habitat trust interest account is included in the Executive Budget to provide maintenance at the Canyon Ferry Wildlife Management Area. The department plans to use a portion of these funds on upland birds and waterfowl development activity. Current statute directs 20 percent of certain earmarked license revenues to be deposited into a non-expendable trust and the remaining 80 percent to be used for the acquisition of wildlife habitat areas. The interest from the habitat trust is to be used for operations and maintenance of wildlife habitat areas. The Canyon Ferry Wildlife Management Area was not purchased with these acquisition funds.

PARKS DIVISION

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	96.18	96.18	95.16	95.52	- .66
Personal Services	1,787,990	2,166,421	2,180,589	2,190,157	10.53%
Operating Expenses	1,413,211	1,940,095	1,591,282	1,582,941	-5.34%
Equipment	164,077	230,448	111,074	111,074	-43.69%
Grants	121,315	0	121,315	121,315	100.00%
Transfers	0	8,000	8,000	8,000	100.00%
Total Program	\$3,486,593	\$4,344,964	\$4,012,260	\$4,013,487	2.48%
Fund Sources					
State Revenue Fund	2,898,902	3,653,753	3,351,185	3,346,584	2.21%
Federal Revenue Fund	288,754	334,836	409,470	408,937	31.24%
Proprietary Fund	298,937	356,375	251,605	257,966	-22.24%
Total Funds	\$3,486,593	\$4,344,964	\$4,012,260	\$4,013,487	2.48%

Program Description

The Parks Division is responsible for conserving the scenic, historic, archaeological, scientific, and recreational resources of the state and providing for their use and enjoyment. The division manages 60 parks and eight affiliated lands including natural, recreational, and cultural sites. It also maintains 300 fishing access sites. Programs administered by the division include snowmobile, off-highway, Land and Water Conservation, capitol grounds maintenance, and the Montana Conservation Corps. The State Park Futures Committee was appointed by the Governor to seek public comment and to develop solutions on solving funding needs for this division during the 1991 biennium.

Current Level Budget

The division's current level increases 2.5 percent over the previous biennium. Personal services increase 10.5 percent due to: 1) vacancy savings in fiscal 1990; 2) the pay plan increase in fiscal 1991 which is included in the 1993 biennium; 3) a net decrease of 0.11 FTE from program transfers; and 4) elimination of 0.91 FTE which have been vacant much of the 1991 biennium, for a biennial savings of \$36,583. Personal

services include \$196,992 for the biennium to fully fund FTE authorized by the 1989 legislature for the off-highway vehicle and the Montana Conservation Corps programs. Neither program operated during fiscal 1990. The 0.36 FTE increase between fiscal 1992 and 1993 reflects a net program transfer from the Law Enforcement Division to the Off-highway Vehicle program.

The 100 percent increase in grants occurs from funding the 1993 biennium Land and Water Conservation Fund (LWCF) grant expenditures at fiscal 1990 actual expenditures. While the legislature authorized \$700,000 as a biennial appropriation in the 1991 biennium for the LWCF, the remaining balance is not shown in the fiscal 1991 appropriations. While operating expenses in the 1993 biennium are lower than the fiscal 1991 appropriation level, they are an average 12.3 percent higher than fiscal 1990 actual expenditures. Biennial operating increases above fiscal 1990 actual expenditures include: 1) \$318,072 for fully funding the Montana Conservation Corps program in the 1993 biennium and \$135,744 for fully funding the Off-highway Vehicle program, both at the level approved by the 1989 legislature; 2) \$7,370 in insurance and bonds; and 3) \$22,212 in inflationary adjustments. Offsetting biennial decreases include a reduction of \$80,000 consulting services to reflect expenditure patterns during

PARKS DIVISION

the past five years. Equipment, which is budgeted at historical levels, includes mowers, one grader, one backhoe, a dump truck, and snowmobile trail grooming machinery. The transfer authority represents continued funding of the snow removal contingency which, although appropriated in the 1991 biennium, had no fiscal 1990 expenditures. This authority would be expended during winters with unusually large amounts of snowfall.

The largest state special revenue funding source for the Parks Division is from coal tax trust earnings, followed by fuel taxes on motorboats and snowmobiles. Earmarked fishing license fee revenue is used to purchase and maintain fishing access sites. Other state special revenue includes off-highway vehicle funds and snowmobile registrations. Federal funding consists of grants for parks and federal overhead funds. Land and Water Conservation Fund grants fund the division's grants to counties for public outdoor recreation areas and facilities. The department funds two activities through proprietary accounts. The Capitol Grounds Maintenance program provides grounds maintenance and snow removal for all state agencies within the capitol complex. These agencies pay proportionately based upon their square footage of office space. The snowgroomer replacement account finances the replacement of machinery used to groom over 3,200 miles of snowmobile trails.

Executive Budget Modification

Fishing Access Maintenance

The Executive Budget includes \$100,000 and 0.63 FTE for the biennium from the general license account to provide for increased maintenance at various fishing access sites. Current law requires that 25 percent of certain earmarked license revenue be used for operations and maintenance at fishing access sites and that the other 75 percent be used to acquire additional sites. Because of the growing number of sites, funds earmarked for operation and maintenance costs of the sites are insufficient. In

fiscal 1990, the Parks Division expended \$450,000 of general license account funds for this purpose.

State Park Futures Committee

The Executive Budget includes \$1,500,000 general fund and 8.06 FTE for the biennium to partially address recommendations of the State Park Futures Committee. The committee recommended an accelerated five-year schedule for park improvements which would require an additional \$6,313,000 and 30.24 FTE per year.

Capitol Grounds Maintenance

The Executive Budget includes \$55,545 and 0.5 FTE for the biennium from the grounds maintenance and snow removal proprietary account to provide temporary summer help and funding needed to remove and replace trees and shrubs injured during the winter of 1988-89. In addition, \$5,500 each year is included as a pay increase for snow removal personnel. The LFA current level budget in all agencies includes actual 1990 expenditures for capital grounds maintenance, plus an inflationary factor to fund this modification if approved.

Issues

Montana Conservation Corps

The 1989 legislature passed Senate Bill 388 creating the Montana Conservation Corps within the Parks Division of the Department of Fish, Wildlife, and Parks (23-1-301 through 314, MCA). The purpose of this program was to improve the state parks system and other state lands while helping unemployed or economically disadvantaged youth and adults gain work skills and practical experience. The legislature intended that the program contract with Job Service offices or the Human Resource Development Council for the employment of crewleaders and corps members in approved work projects. Corps members would receive compensation at a rate not less than the federal minimum wage and, if funds were available, could be awarded a voucher for up to three years at any Montana institution of higher

PARKS DIVISION

education or vocational-technical center.

The legislature appropriated state and federal funds as shown in Table 7 to fund the program during the 1991 biennium.

Table 7
Montana Conservation Corps Funding

<u>Revenue Source</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
FTE	3.0	3.0
State Special	\$108,251	\$151,856
Federal	<u>117,630</u>	<u>241,887</u>
Total	\$225,881	\$393,743

Revenue collected from the state park entrance fee system implemented in 1989 was to provide the state funds. While the department estimated the fees would raise \$750,000 per year during the 1991 biennium, collections in fiscal 1990 (\$303,734) fell 60 percent below projected levels, so the department decided not to implement this program during the 1991 biennium. For the 1993 biennium, the department has requested funding of \$492,088 and 3.0 FTE, funded entirely with federal funds, for this program.

CAPITAL OUTLAY

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	.00	.00	.00	.00	.00
Capital Outlay	<u>187,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	-100.00%
Total Program	\$187,500	\$0	\$0	\$0	-100.00%
Fund Sources					
Federal Revenue Fund	<u>187,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	-100.00%
Total Funds	\$187,500	\$0	\$0	\$0	-100.00%

Program Description

The Capital Outlay program supports the department in land acquisition and development and maintenance activities.

Current Level Budget

In the 1993 biennium, the Capital Outlay program will pay the debt service on outstanding bonds which is funded with general license revenue and federal funds. The department has three outstanding bond series. Bond repayments, which total \$1,730,520 for the 1993 biennium, are statutorily appropriated and, thus, are not included in the general appropriation bill or the table above. The fiscal 1990 expenditures reflect funds spent for an emergency at the Miles City fish hatchery.

Issues

During the 1980's, the main expenditures of both the bonded and cash capital programs were for the construction of seven new regional headquarters buildings and renovation and upgrading of most of the state's fish hatcheries. Since 1980, expenditures on headquarters buildings and fish hatcheries have totaled nearly \$15 million. The 1991 biennium capital outlay budget includes funding for completion of the last regional headquarters building and renovation of three fish hatcheries.

Capital improvements and purchases are financed with federal and general license account revenue. As shown in Table 8, capital expenditures are a significant portion of general license account expenditures. The capital expenditures include: 1) cash expenditures for projects and acquisitions; and 2) debt service on bonds which finance a bonded capital program.

Table 8
General License Account (GLA) Capital Expenditures
FY 1985-90

	FY 1985	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990
Debt Service	\$ 522,000	\$1,212,000	\$1,078,000	\$1,013,000	\$ 966,000	\$1,287,000
Capital Outlay	319,000	362,000	2,379,000	976,000	2,006,000	1,500,000
Acquisition	<u>172,000</u>	<u>402,000</u>	<u>0</u>	<u>36,000</u>	<u>14,000</u>	<u>0</u>
Total	\$1,012,000	\$1,976,000	\$3,457,000	\$2,024,000	\$2,986,000	\$2,787,000
% of Total GLA	7.5%	12.6%	22.0%	12.6%	17.7%	15.8%

CAPITAL OUTLAY

All bonds used to finance these projects will be retired at the end of fiscal 1995. As Table 9 shows, the depart-

ment's debt service costs for existing bonds are declining and will end in fiscal 1995.

Table 9
Bond Repayment Schedule
General License Account*

<u>Bond Series</u>	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>Total</u>
1983	\$ 521,718	\$ 43,488	\$ 0	\$ 0	\$ 0	\$ 565,206
1985	33,021	0	0	0	0	33,021
1989	<u>507,627</u>	<u>460,418</u>	<u>434,615</u>	<u>410,448</u>	<u>34,037</u>	<u>1,847,145</u>
Total	\$1,062,366	\$503,906	\$434,615	\$410,448	\$34,037	\$2,445,372

*Does not include bond repayment from federal funds.

For the 1993 biennium, the Executive Budget includes \$13,897,000 in capital outlay funding which includes: 1) \$4,924,000 for state parks; 2) \$4,923,000 for wildlife habitat acquisition; 3) \$1,144,000 for fishing access site acquisitions; and 4) \$2,906,000 of other projects such as underground storage tanks, headquarter

maintenance, dam safety, wildlife habitat maintenance, fishing access site improvements, fish hatchery maintenance, property development, boat facilities, waterfowl habitat enhancement, and river restoration. Of the total amount, \$827,000 is funded from the general license account.

CONSERVATION EDUCATION DIVISION

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	23.80	24.05	24.05	24.05	.00
Personal Services	754,310	785,337	806,517	805,582	4.71%
Operating Expenses	542,721	582,435	557,071	566,302	-.16%
Equipment	32,962	19,000	18,940	19,000	-26.99%
Total Program	\$1,329,993	\$1,386,772	\$1,382,528	\$1,390,884	2.09%
<u>Fund Sources</u>					
State Revenue Fund	1,168,907	1,243,054	1,248,506	1,242,544	3.28%
Federal Revenue Fund	161,086	143,718	134,022	148,340	-7.36%
Total Funds	\$1,329,993	\$1,386,772	\$1,382,528	\$1,390,884	2.09%

Program Description

The Conservation Education Division, through its Helena office and seven regional information officers, is the department's primary information and education program. Its responsibilities include: 1) distributing public information through news releases, audio-visual materials, brochures, and public service announcements; 2) coordinating youth education programs; 3) printing hunting, fishing, and trapping regulations; 4) coordinating the hunter, bowhunter, snowmobile, boat, and off-highway vehicle education and safety programs; and 5) providing reception services for the department's Helena headquarters. The program publishes the Montana Outdoors magazine, produces 16mm color films, radio and television public service announcements and video documentaries, and maintains a film lending library. The department will request that, beginning in fiscal 1992, nongame promotion be transferred to this division from the Wildlife Division.

Current Level Budget

The division's current level increases 2.1 percent over the previous biennium. Personal services account for the entire increase due to: 1) vacancy savings achieved in fiscal 1990; 2) the pay plan

increase in fiscal 1991 which is continued in the 1993 biennium; and 3) 0.25 additional FTE in the 1993 biennium over the appropriated level in fiscal 1990. Although there is no FTE change from fiscal 1991, the final staffing level reflects: 1) 0.1 FTE from the Parks Division; 2) 1.0 FTE from the Wildlife Division; 3) elimination of 0.6 FTE that was part of the Nongame Promotion program the legislature stipulated was not to be included in the 1993 biennium budget; and 4) elimination of 0.5 FTE, a program officer, in the Shooting Range program which the legislature line-itemed in House Bill 100 (for a biennial savings of \$27,777).

Operating expenses during the 1993 biennium are higher than fiscal 1990 actual expenditure due to \$39,361 in inflationary adjustments and \$3,000 of cyclical contracted services in fiscal 1993. These increase are offset by the removal of \$2,330 in Shooting Range program expenses and a decrease in building rent. Equipment, which was budgeted at the agency's request, includes videos, televisions, and cameras.

The division's largest funding source is revenue from hunting and fishing license fees. Other state special revenue includes coal tax trust earnings, snowmobile fuel tax, and off-highway vehicle fines.

CONSERVATION EDUCATION DIVISION

Executive Budget Modifications

"One-Time-Only" Modification

The 1989 legislature stipulated that expenditures from certain program expansions were not to be included in the 1993 biennium current level budget prepared for legislative consideration. The Executive Budget includes funding for the following "one-time-only" program.

Nongame Wildlife

The Executive Budget includes \$60,000 and 0.6 FTE for the biennium from the general license account to continue development of comprehensive regional inventories of nongame animals, collection of data, and conducting nongame animal research. It was the intent of the 1989 legislature that if the department wished to continue the Nongame Wildlife program in the 1993 biennium, it was to present the 1991 legislature with funding alternatives to replace the use of hunting and fishing license funds in support of the program. The department is requesting that the Nongame Wildlife program expand its scope, change its name to watchable wildlife, and be transferred from the Wildlife Division to the Conservation Education Division. In addition to this \$60,000 biennial budget modification request and to the approximately \$19,500 contained in the annual current level budget for this program (within the Wildlife Division), the department is requesting another modification, entitled Watchable Wildlife, discussed below.

Program Expansions

The Executive Budget also includes budget modifications for the following program expansions.

Watchable Wildlife

This budget modification includes \$47,900 for the biennium, funded as shown in Table 10, to increase educational opportunities for Montana

students, teachers, and the public through improved training and resource material, such as an interpretive program for the increased bald eagle numbers at Canyon Ferry.

Table 10
Department of Fish, Wildlife and Parks
Watchable Wildlife Funding

<u>Account</u>	<u>FY 1992</u>	<u>FY 1993</u>
General License	\$14,566	\$14,583
Federal Fish-Wildlife Restoration Grant	<u>8,334</u>	<u>10,418</u>
Total	\$22,900	\$25,000

The department seeks to broaden the scope of and rename the existing Nongame Wildlife program "watchable wildlife". This program would offer improved wildlife viewing, promote wildlife education, and encourage tourists to explore Montana beyond the national parks. Collections from tax check-offs have declined from \$35,000 in 1983 to \$23,000 in 1990, while 1990 base expenditures plus the 1990 expansion expenditures were \$44,713. The portion of this program funded from the tax check-off is continued in the Wildlife Division's current level budget. The 1989 legislature mandated the department to explore alternative funding sources for the program to replace fishing and hunting license revenue. The department feels that continued use of this license fee revenue is appropriate if the program is broadened.

Update Hunter Education

The Executive Budget is requesting \$50,000 for the biennium from the general license account to revise and standardize the hunter safety curriculum taught to over 6,000 students annually. Teaching resource materials such as updated instructor and student manuals and videos would be created or purchased and provided to the instructors.

ADMINISTRATION DIVISION

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	31.13	31.13	37.48	37.48	6.35
Personal Services	1,156,336	1,040,736	1,295,279	1,294,133	17.86%
Operating Expenses	529,940	708,628	488,378	490,056	-21.00%
Equipment	34,993	14,800	25,185	21,971	-5.30%
Capital Outlay	5,240	10,000	0	0	-100.00%
Grants	119,011	110,000	115,000	115,000	.43%
Transfers	0	90,000	0	0	-100.00%
Total Program	\$1,845,520	\$1,974,164	\$1,923,842	\$1,921,160	.66%
Fund Sources					
State Revenue Fund	1,515,112	1,502,040	1,362,961	1,361,780	-9.69%
Federal Revenue Fund	330,408	472,124	560,881	559,380	39.59%
Total Funds	\$1,845,520	\$1,974,164	\$1,923,842	\$1,921,160	.66%

Program Description

The Administration Division is responsible for: 1) overall department direction regarding policy, planning, program development, guidelines, and budgets; 2) liaison with the Governor's Office and the legislature; 3) direct interaction with the Fish and Game Commission; 4) decision making for key resource activities affecting the department; 5) administration of seven major divisions that provide program development and staff support; 6) supervision of eight regional offices that are responsible for program implementation; 7) legal services for the department (transferred from the Management Services program); and 8) liaison with Montana's Indian tribes and with other state and federal agencies.

0.85 FTE from the Parks Division; 3) 1.0 FTE from the Management Services Division; 4) 0.5 FTE from the Fisheries Division; 5) 0.5 FTE from the Wildlife Division; and 6) 0.5 FTE to the Law Enforcement Division. Actual fiscal 1990 personal services expenditures are greater than appropriated in fiscal 1991 due to the program transfers.

Biennial decreases in operating expenses include \$100,958 of expenditures associated with the "one-time-only" Fish and Wildlife Enhancement program, which are reflected in fiscal 1990 actual expenditures but are not included in the 1993 biennium current level. This decrease is partially offset by \$19,768 of inflationary adjustments during the biennium. Equipment, which is budgeted at the agency's request, includes a copier, miscellaneous office equipment, and computer software.

Current Level Budget

The slight increase in the division's current level is due to the 17.9 percent increase in personal services, which results from: 1) vacancy savings achieved in fiscal 1990; 2) the pay plan increase in fiscal 1991 which is included in the 1993 biennium; 3) a net 6.35 increase in FTE. The net FTE increase occurs from the transfer of: 1) 4.0 FTE to the Legal Unit from the Management Services Division; 2) a net

The \$90,000 transfer authority in fiscal 1991 represents \$65,000 of legislative contract authority (LCA) which has not been budgeted in the 1993 biennium and \$25,000 for the Natural Heritage program in the Montana State Library, which was expended under the grants category. Expenditures from LCA have been excluded from fiscal 1990. Grants were budgeted at the agency's request, which includes \$90,000 to the Department of Livestock for predator control and \$25,000 to the Natural Heritage program. The fiscal

ADMINISTRATION DIVISION

1991 grant appropriation to the Department of Livestock includes an additional \$20,000 which the legislature stipulated was not to be included in the 1993 biennium budget. Capital outlay expenditures are not included in the current level.

The division is funded with hunting and fishing license fee revenue and a portion of the federal indirect cost pool.

Executive Budget Modifications

"One-Time-Only" Modifications

The 1989 legislature stipulated that expenditures from certain program expansions were not to be included in the 1993 biennium current level budget prepared for legislative consideration. The Executive Budget includes continued funding for the following of "one-time-only" programs.

Salinity Control

The Executive Budget includes \$150,000 for the biennium funded one-sixth from the general license account and five-sixths from the upland game bird account to continue increased funding to control saline seep on fish and wildlife habitat.

Sikes Act

This budget modification includes \$300,000 for the biennium funded one-half from the general license account and one-half from federal funds to continue funding of the Fish and Wildlife Enhancement program expansion authorized by the 1989 legislature. This program expansion provides matching funds for the federal Bureau of Land Management (BLM) and the U.S. Forest Service challenge grants for Fish and Wildlife Enhancement projects. In fiscal 1990, 24 projects (five with the U.S. Forest Service and 19 with the BLM)--such as constructing new channels for fish spawning, building goose nests structures, managing roads to provide elk security during hunting season, and pot hole blasting for waterfowl--were undertaken.

Predator Control

The Executive Budget includes \$108,000 for the biennium from the general license account to continue funding the expanded Predator Control program and to administer the department's dams. The department contracts with the Department of Livestock for predator control, mainly coyotes and skunks. Approval of this modification would increase the department's grants by \$20,000 annually. Current level funding for predator control grants to the Department of Livestock is \$90,000 annually. In addition, this modification includes \$34,000 annually for transfer to the water development account within the proposed reorganized Department of State Lands to finance 1.0 FTE for the administration of the department's dams. Currently, the Department of Fish, Wildlife, and Parks owns 19 dams throughout the state.

Legal Services

The Executive Budget includes \$24,600 for the biennium from the general license account to fund increased department legal and court costs. This request is in addition to the \$17,700 in the program's current level budget.

Program Expansions

The Executive Budget also includes the following budget modifications for program expansion.

Legal Services

The Executive Budget contains \$100,000 and 1.0 FTE for the biennium from the general license account to hire an additional attorney to handle an increase in number and complexity of legal issues. In addition to the requested FTE, the request includes nearly \$25,000 of operational expenses. Major issues include the natural resource damage suit on the Clark Fork River, involvement in water issues (Clark Fork and Missouri River basin instream flow reservations, water adjudication, water leasing), initiatives by several Indian tribes to exercise treaty rights for hunting and fishing, increased illegal trafficking of game animals, and land conservation easements and leases. This requested position would be in addition to the

ADMINISTRATION DIVISION

three attorneys already employed by the department.

Tribal Relations

The Executive Budget includes an additional \$80,000 for the biennium from the general license account for contracted legal services to negotiate with tribal governments on common fishing, hunting, and recreational resource interests which require additional expertise.

Geographic Information System

An increased \$90,000 for the biennium from the general license account is included in the Executive Budget to develop a geographic information system (GIS) specific to department lands and with a narrower focus than the existing state library natural resource information system (NRIS). This automated resource inventory and database management capability would support management decisions on department lands by improving planning

for projects and facilitating networking with other agencies. The department views this request as funding for the pilot project, not for full development of a GIS. Additional funding may be requested in the future if the pilot project is successful.

Interagency Support

The Executive Budget is requesting \$50,000 for the biennium from the general license account to increase its biennial support for Natural Resource Information System (NRIS) from \$25,000 to \$75,000.

Regional Office Support

The Executive Budget includes \$150,000 for the biennium from the general license account to purchase contracted clerical assistance for regional headquarters to support increasing public information and clerical workloads.

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

DEPARTMENT OF LIVESTOCK

Budget Item	Executive Current Level		LFA Current Level		Executive Over (Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	118.71	116.71	118.71	116.71	0.00
Personal Services	3,465,130	3,427,955	3,459,214	3,422,039	11,832
Operating Expenses	1,350,334	1,179,577	1,198,688	1,001,616	329,607
Equipment	<u>140,989</u>	<u>147,241</u>	<u>125,328</u>	<u>131,125</u>	<u>31,777</u>
Total Agency	\$4,956,453	\$4,754,773	\$4,783,230	\$4,554,780	\$373,216
<u>Fund Sources</u>					
General Fund	829,554	829,458	805,950	804,484	48,578
State Revenue Fund	3,843,745	3,642,400	3,698,466	3,471,492	316,187
Federal Revenue Fund	<u>283,154</u>	<u>282,915</u>	<u>278,814</u>	<u>278,804</u>	<u>8,451</u>
Total Funds	\$4,956,453	\$4,754,773	\$4,783,230	\$4,554,780	\$373,216

Executive Budget Comparison

The Executive Budget exceeds the LFA current level budget by \$373,216 for the 1993 biennium. The LFA current level personal services are \$11,832 lower due to downward step adjustments to reflect current staff and budgeting per diem for the Board of Livestock at fiscal 1990 actual expenditures.

Operating Expenses

The Executive Budget current level operating expenses are approximately 15 percent higher than the LFA current level. Most of this difference is in contracted services. The Executive Budget includes \$727,417 for the biennium in contracted services, which includes \$124,752 for requested additions for consulting services in the Disease Control and Meat Inspection Programs. The LFA current level budget includes \$437,429 in contracted services, which is based on fiscal 1990 actual expenditures reduced by: 1) \$40,000 for predator control contained in a Fish, Wildlife and Parks' budget modification as a grant to the Department of Livestock; and 2) \$4,400 in laboratory costs which were contracted out in fiscal 1990 due to a staff vacancy. Since the position is now filled, these expenditures were removed.

The LFA current level also reflects a \$9,000 decrease in fiscal 1990 actual expenditures for lease of the executive secretary's vehicle. The 1989 legislature appropriated funds to purchase a vehicle in fiscal 1991.

Included in both the LFA current level and the Executive Budget is the requested reduction in the Rabies Control Program and the agency's request for required helicopter maintenance.

Equipment

Equipment was budgeted at the agency's request except for the Diagnostic Laboratory Program. The LFA current level equipment budget for this program is based on fiscal 1990 actual expenditures minus \$15,638 spent for a microhematocrit centrifuge, which the 1989 legislature stipulated was not to be included in the 1993 biennium budget base.

Issues

Funding

The Executive Budget funding from the inspection and control account includes an annual \$20,000 grant from the Department of Fish, Wildlife and Parks (DFWP) which the 1989 legislature stipulated was not to be included in the 1993 biennium budget and for which DFWP

DEPARTMENT OF LIVESTOCK

has requested a budget modification. This funding is not included in the LFA current level.

Executive Budget Modifications

In addition to the \$9.71 million current level budget for the 1993 biennium, the

Executive Budget contains \$447,606 and 5.0 FTE in modified budget requests for the Department of Livestock. These budget modifications are listed in the following agency narrative and discussed in more detail in program narratives.

DEPARTMENT OF LIVESTOCK

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	116.71	118.71	118.71	116.71	-2.00
Personal Services	3,223,684	3,492,762	3,459,214	3,422,039	2.45%
Operating Expenses	1,077,615	1,267,216	1,198,688	1,001,616	-6.16%
Equipment	187,884	180,152	125,328	131,125	-30.32%
Total Agency	\$4,489,183	\$4,940,130	\$4,783,230	\$4,554,780	-.97%
<u>Fund Sources</u>					
General Fund	756,218	865,453	805,950	804,484	-.69%
State Revenue Fund	3,479,411	3,797,750	3,698,466	3,471,492	-1.47%
Federal Revenue Fund	253,554	276,927	278,814	278,804	5.12%
Total Funds	\$4,489,183	\$4,940,130	\$4,783,230	\$4,554,780	-.97%

Agency Description

The Department of Livestock is responsible for the control and eradication of animal diseases, preventing the transmission of animal disease to humans, and protecting the livestock industry from theft and predatory animals. The department, which is provided for in Section 2-15-3101, MCA, consists of the Board of Livestock and its appointed executive secretary; the Livestock Crimestopper's Commission; the Pork Research and Marketing Committee; and the Beef Research and Marketing Committee. The department is organized into five divisions: Animal Health, Centralized Services, Brands-Enforcement, Diagnostic Laboratory, and Meat, Milk, and Egg Inspection. The Board of Livestock, which is statutorily the head of the Department of Livestock, consists of seven members appointed by the Governor and confirmed by the Senate to serve six-year terms.

Current Level Budget

The agency's current level decreases less than one percent over the previous biennium, due to operating and equipment reductions in all programs except the Milk and Egg Program. Decreases in operating expenses result from the completion of the brands re-record process in fiscal 1993 in the Inspection

and Control Program and a major reduction in the Rabies Program from the fiscal 1991 appropriated level. The 2.5 percent increase in personal services reflects vacancy savings in fiscal 1990 and the fiscal 1991 pay plan increase which continues during the 1993 biennium. Two FTE are eliminated in fiscal 1993 due to the scheduled completion of the brand re-record process. The 30.3 percent decrease in equipment expenditures reflects budgeting most programs at the agency's request, which is less than 1990 actual expenditures and 1991 appropriated amounts.

Funding for the department consists of general fund, two state special revenue accounts (the inspection and control fund and the animal health fund), and federal funds. The inspection and control fund receives revenue from livestock licenses and permits, including the brand re-record fee; approximately two-thirds of the livestock general tax revenue; and inspection and testing fees from the sale and purchase of livestock. The animal health fund receives approximately one-third of the revenue from the livestock general tax in addition to inspection and testing fees. Tables 1 and 2 show the cash flow analyses of these accounts during the 1991 and 1993 biennia, based upon projected current level expenditures. These estimates include increased revenue reflecting the department's

DEPARTMENT OF LIVESTOCK

proposed administrative rule change raising the cost of transferring or buying a brand from \$35 to \$50. The department estimates 40,000 brands will be re-recorded at \$50. The balance in this account grows during the 1993 biennium because current law states that the agency can use only 10 percent of the brand re-record revenue (less re-record expenses) for operating expenses

per year, since the re-recording process occurs only once a decade. The livestock general tax is assessed on each head of livestock and varies by specie. The inspection/testing fee is a 35 cent charge to inspect an animal's brand when ownership is changed or when the animal crosses a county line. At the market, the buyer and seller are both charged this fee.

Table 1
Four-Year Cash Flow of the Inspection and Control Fund

	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>
Beginning Balance	\$2,202,164	\$2,646,754	\$3,747,836	\$4,500,756
Revenues				
1. Livestock Licenses & Permits	\$ 113,319	\$1,260,000	\$ 860,000	\$ 100,000
2. Livestock General Tax	1,525,582	1,400,000	1,400,000	1,400,000
3. Inspection/Testing Fees	672,545	630,000	630,000	630,000
4. Interest	169,283	160,000	180,000	180,000
5. FWP Grant	110,000	110,000	90,000	90,000
6. Other	<u>172,892</u>	<u>166,500</u>	<u>146,500</u>	<u>146,500</u>
Total Funds Available	<u>\$4,965,785</u>	<u>\$6,373,254</u>	<u>\$7,054,336</u>	<u>\$7,047,256</u>
Disbursements				
1. Centralized Services	\$ 177,443	\$ 177,962	\$ 178,483	\$ 178,299
2. Inspection and Control	1,977,018	2,158,969	1,996,125	1,998,759
3. Predatory Animal Control	238,798	273,487	308,977	188,434
4. Rabies Control	15,000	15,000	15,000	15,000
5. Inspection and Control - Mod	<u>0</u>	<u>0</u>	<u>54,995</u>	<u>54,925</u>
Total Disbursements	\$2,408,259	\$2,625,418	\$2,553,580	\$2,435,417
Adjustments	<u>\$89,228</u>			
Ending Balance	<u>\$2,646,754</u>	<u>\$3,747,836</u>	<u>\$4,500,756</u>	<u>\$4,611,839</u>

DEPARTMENT OF LIVESTOCK

Table 2
Four-Year Cash Flow of the Animal Health Fund

	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>
Beginning Balance	\$1,011,729	\$1,083,822	\$ 952,990	\$ 905,142
Revenues				
1. Livestock general tax	\$ 711,342	\$ 650,000	\$ 650,000	\$ 650,000
2. Inspection/testing fee	241,041	220,000	220,000	220,000
3. Interest	108,347	105,000	105,000	105,000
4. Other	<u>82,504</u>	<u>66,500</u>	<u>68,500</u>	<u>68,500</u>
Total Funds Available	<u>\$2,154,963</u>	<u>\$2,125,322</u>	<u>\$1,996,490</u>	<u>\$1,948,642</u>
Disbursements				
1. Centralized Services	\$ 177,444	\$ 177,963	\$ 178,482	\$ 178,298
2. Diagnostic Lab	453,197	470,613	452,617	452,964
3. Disease Control	<u>440,500</u>	<u>523,756</u>	<u>460,249</u>	<u>460,634</u>
Total Disbursements	\$1,071,141	\$1,172,332	\$1,091,348	\$1,091,896
Adjustments	<u>\$ 22,904</u>			
Ending Balance	<u>\$1,083,822</u>	<u>\$ 952,990</u>	<u>\$ 905,142</u>	<u>\$ 856,746</u>

The Executive Budget includes the budget modifications listed below. These

modifications are discussed in the program narratives.

Executive Budget Modifications 1993 Biennium

<u>Budget Modification</u>	<u>FTE FY92</u>	<u>FTE FY93</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
1) Livestock Workload Increase	1.0	1.0	\$ 0	\$110,058	\$110,058
2) Meat & Poultry Inspection	<u>4.0</u>	<u>4.0</u>	<u>168,774</u>	<u>168,774</u>	<u>337,548</u>
Total	5.0	5.0	\$168,774	\$278,832	\$447,606

CENTRALIZED SERVICES PROGRAM

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	9.00	9.00	9.00	9.00	.00
Personal Services	294,940	304,235	310,852	310,580	3.71%
Operating Expenses	153,627	137,160	144,534	145,335	-.32%
Equipment	<u>5,024</u>	<u>16,411</u>	<u>4,500</u>	<u>3,500</u>	<u>-62.68%</u>
Total Program	\$453,591	\$457,806	\$459,886	\$459,415	.87%
<u>Fund Sources</u>					
General Fund	81,245	83,487	84,270	84,183	2.26%
State Revenue Fund	354,887	355,925	356,965	356,597	.39%
Federal Revenue Fund	<u>17,459</u>	<u>18,394</u>	<u>18,651</u>	<u>18,635</u>	<u>4.00%</u>
Total Funds	\$453,591	\$457,806	\$459,886	\$459,415	.87%

Program Description

The Centralized Services Division is responsible for the accounting, budgeting, payroll, personnel, legal services, purchasing, administrative, data processing, and general services functions of the department. The Pork Research and Marketing Committee, the Beef Research and Marketing Committee, and the Crimestoppers Commission are administratively attached to the Board of Livestock through this division. Agency legal services are provided to the department by the staff attorney in this division.

Current Level Budget

The program's current level increases less than one percent over the previous biennium, due primarily to the 3.7 percent increase in personal services from vacancy savings achieved in fiscal 1990 and the pay plan increase in fiscal 1991 which is included in personal ser-

vices costs in fiscal 1992 and 1993. Operating expenses are slightly less than fiscal 1990 expenditures due to decreased audit fees, SBAS fees, and office supplies. Equipment, which includes two computers, is budgeted at the agency's request. The fiscal 1991 appropriation includes the purchase of a vehicle for the executive secretary.

Funding for this program includes general fund, state special revenue from the inspection and control fund and the animal health fund, and federal funds. The 1989 legislature allocated 19 percent of the program's cost (except the meat inspection accounting costs) to general fund and the remainder to state special funds. Current level continues this funding. The meat inspection accounting costs are financed with federal funds. Allocation between the two state special funds is split evenly.

DIAGNOSTIC LABORATORY PROGRAM

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	18.00	18.00	18.00	18.00	.00
Personal Services	504,748	551,193	550,257	550,220	4.22%
Operating Expenses	209,012	214,249	202,060	202,680	-4.38%
Equipment	<u>24,023</u>	<u>25,625</u>	<u>8,384</u>	<u>8,384</u>	<u>-66.23%</u>
Total Program	\$737,783	\$791,067	\$760,701	\$761,284	-.45%
<u>Fund Sources</u>					
General Fund	284,583	320,454	308,084	308,320	1.88%
State Revenue Fund	<u>453,200</u>	<u>470,613</u>	<u>452,617</u>	<u>452,964</u>	<u>-1.97%</u>
Total Funds	\$737,783	\$791,067	\$760,701	\$761,284	-.45%

Program Description

The Diagnostic Laboratory Program provides laboratory diagnostic support for the Disease Control Program, Milk and Egg Program, regulatory officials and agencies, veterinarians, and livestock producers to protect, promote, and foster Montana's livestock industry. Through laboratory testing for zoonotic diseases and routine safety assurance tests of dairy products, this program assists in protecting the health of Montana's citizens. The program also provides laboratory testing services upon request to assist animal owners, veterinarians, and Department of Fish, Wildlife, and Parks' personnel in protecting the health of Montana's companion animals and wildlife.

Current Level Budget

The small decrease in this program from the previous biennium is due primarily to the 66.2 percent decrease in equipment. Actual 1990 equipment expenditures were reduced by the cost of the microhematocrit centrifuge, which the legislature stipulated was not to be included in the 1993 base. The 1991 equipment appropriation contains \$21,000 for a culture counter which also is not to be included in the base. The 4.2 percent increase in personal services reflects vacancy savings which occurred in fiscal 1990 and the fiscal 1991 pay plan which is included in the 1993 biennium current level.

This program is funded with approximately 41 percent general fund and 59 percent animal health funds.

DISEASE CONTROL PROGRAM

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	10.50	10.50	10.50	10.50	.00
Personal Services	344,337	382,369	361,776	361,633	-.45%
Operating Expenses	78,372	115,403	78,986	78,368	-18.80%
Equipment	<u>17,797</u>	<u>25,984</u>	<u>19,041</u>	<u>20,187</u>	<u>-10.40%</u>
Total Program	\$440,506	\$523,756	\$459,803	\$460,188	-4.59%
<u>Fund Sources</u>					
State Revenue Fund	<u>440,506</u>	<u>523,756</u>	<u>459,803</u>	<u>460,188</u>	<u>-4.59%</u>
Total Funds	\$440,506	\$523,756	\$459,803	\$460,188	-4.59%

Program Description

The Disease Control Program within the Animal Health Division protects Montana's livestock industry from disease loss by providing for the diagnosis, prevention, control, and eradication of animal diseases. The program cooperates with the Department of Health and Environmental Sciences to protect human health from animal diseases transmissible to humans. Sanitary standards are supervised for animal concentration points, such as auctions markets, and certain animal product processing facilities, such as rendering plants.

lower personal services and operating expenses in the 1993 biennium than those appropriated in fiscal 1991. In fiscal 1990, the program was appropriated \$35,000 to contract with local veterinarians in the event a disease outbreak occurred. Because no outbreak occurred, current level operating expenses for the 1993 biennium do not reflect any expenditures for this contingency. Personal services appropriated in fiscal 1991 are greater than current level because of lower entering salaries for new employees. The agency's equipment request, which includes one new replacement pickup for each fiscal year, is included in the current level.

Current Level Budget

Current level decreases 4.6 percent from the previous biennium, due primarily to

Funding for this program is entirely from the animal health fund.

MILK & EGG PROGRAM

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	6.00	6.00	6.00	6.00	.00
Personal Services	167,527	184,015	167,888	167,915	-4.48%
Operating Expenses	32,854	25,558	33,112	32,598	12.49%
Equipment	<u>12,821</u>	<u>11,475</u>	<u>15,714</u>	<u>15,735</u>	<u>29.44%</u>
Total Program	\$213,202	\$221,048	\$216,714	\$216,248	-.30%
<u>Fund Sources</u>					
General Fund	183,201	191,048	185,074	184,030	-1.38%
Federal Revenue Fund	<u>30,001</u>	<u>30,000</u>	<u>31,640</u>	<u>32,218</u>	<u>6.43%</u>
Total Funds	\$213,202	\$221,048	\$216,714	\$216,248	-.30%

Program Description

The Milk and Egg Program functions within the Meat, Milk and Egg Inspection Division to ensure that eggs, milk, and milk products sold or manufactured in Montana are fit for human consumption. These functions are accomplished through licensing, sampling, laboratory testing, and product and site inspections done in cooperation with other state and federal agencies. The program supervises the enforcement of state and federal law.

Current Level Budget

Program current level decreases less than one percent from the previous biennium, due primarily to positions being budgeted at a lower step (reflect-

ing current staff) than in the fiscal 1991 appropriated amount. Current level operating expenses are 12.5 percent greater than fiscal 1990 actual due to inflationary increases and higher building rent. The decrease between fiscal 1992 and 1993 is due to anticipated lower gasoline prices. The agency's request for equipment, which includes one new replacement pickup each year, is included in the current level.

Funding for the program is primarily general fund with the federal government expected to contribute \$27,000 each year for inspecting poultry products. The budget includes more than \$27,000 of federal funds because at the end of fiscal 1990 there was an ending fund balance of \$20,600 in the federal account.

INSPECTION & CONTROL PROGRAM

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	59.21	61.21	61.21	59.21	-2.00
Personal Services	1,564,439	1,684,241	1,661,394	1,624,990	1.16%
Operating Expenses	292,333	376,189	366,021	290,000	-1.87%
Equipment	120,245	98,539	77,689	83,319	-26.41%
Total Program	\$1,977,017	\$2,158,969	\$2,105,104	\$1,998,309	-.79%
<u>Fund Sources</u>					
State Revenue Fund	1,977,017	2,158,969	2,105,104	1,998,309	-.79%
Total Funds	\$1,977,017	\$2,158,969	\$2,105,104	\$1,998,309	-.79%

Program Description

The Inspection and Control Program, as part of the Brands-Enforcement Division, is responsible for livestock theft investigations, stray livestock investigations, brand inspections, recording of livestock brands, filing of security interests on livestock, livestock auction licensing, livestock dealer licensing, hide inspections, and beef inspections.

Current Level Budget

Program current level decreases less than one percent from the previous biennium, primarily due to the decrease in operating and equipment expenses when the brand re-record process sunsets in fiscal 1992. Operating and personal services expenditures in fiscal 1991 and 1992 include \$223,744 for costs necessary to begin and complete brand re-record, a process statute requires to be done every 10 years. The 26.4 decrease in equipment expenditures in the 1993 biennium reflects the legislature's one-time authorization of new brand digitizing equipment and programming for the re-recording process which will enable automatic imprinting of brand images on the re-record notices and new certificates.

This program is funded entirely from the inspection and control fund. Under state law, the department may not expend more than 10 percent of net brand re-record revenue each year.

Executive Budget Modification

Livestock Workload Increase

The department requests \$110,058 and 1.0 FTE for the biennium from the inspection and control account. The request will fund a field auditor to review custodial accounts at livestock markets and to audit other inspection records as needed throughout Montana. Custodial accounts receive proceeds from a sale, less commissions, which are used to pay consignees. In the past, the department has discovered instances where these funds were improperly used. The additional auditor is requested to provide added protection for livestock producers and other industry-related businesses from the possibility of fraud. The auditor would also provide control over stock estray and inspection monies as recommended in a 1989 legislative audit report.

PREDATOR CONTROL PROGRAM

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	1.00	1.00	1.00	1.00	.00
Personal Services	44,912	44,733	48,456	48,694	8.37%
Operating Expenses	191,331	228,754	260,521	139,740	-4.72%
Equipment	<u>2,558</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-100.00%</u>
Total Program	\$238,801	\$273,487	\$308,977	\$188,434	-2.91%
<u>Fund Sources</u>					
State Revenue Fund	<u>238,801</u>	<u>273,487</u>	<u>308,977</u>	<u>188,434</u>	<u>-2.91%</u>
Total Funds	\$238,801	\$273,487	\$308,977	\$188,434	-2.91%

Program Description

The Predator Control Program, operated by the Brands-Enforcement Division, offers protection to livestock producers by controlling certain types of predators that kill or injure domestic livestock. This program is also designed to alleviate problems caused by animal species (particularly the coyote, which can carry bubonic plague) that may endanger human health or safety.

Current Level Budget

The program's current level decreases 2.9 percent over the previous biennium due primarily to decreases in operating expenses. Fiscal 1992 current level differs from fiscal 1990 expenditures

because of: 1) \$120,000 additional costs for overhaul of the helicopter engine is included in fiscal 1992; 2) \$9,653 less in insurance; 3) \$21,195 less in aircraft expenditures as contained in the agency's request; and 4) \$20,000 less from the Department of Fish, Wildlife, and Parks' grant. The legislature expanded the Fish, Wildlife, and Parks' predator control program by \$20,000 but stipulated that it was not to be included in the department's 1993 budget and, therefore, is not budgeted in this program. Equipment reflects that no equipment expenditures were requested in the department's 1993 biennium budget.

This program is funded entirely from the inspection and control fund.

RABIES CONTROL PROGRAM

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	.00	.00	.00	.00	.00
Operating Expenses	15,636	56,930	15,000	15,000	-58.66%
Equipment	<u>784</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-100.00%</u>
Total Program	\$16,420	\$56,930	\$15,000	\$15,000	-59.10%
<u>Fund Sources</u>					
General Fund	1,420	41,930	0	0	-100.00%
State Revenue Fund	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>.00%</u>
Total Funds	\$16,420	\$56,930	\$15,000	\$15,000	-59.10%

Program Description

The Rabies Control Program within the Animal Health Division functions to protect human health from rabies by controlling the transmission of domestic animal and wildlife rabies, particularly through eradication of skunks. This is accomplished by state level programs and by cooperation with counties, private groups (such as humane societies and veterinary associations), other government agencies (such as the Department of Health and Environmental Sciences and the Department of Fish, Wildlife, and Parks), and private individuals.

Current Level Budget

The program's current level decreases 59.1 percent over the previous biennium, due to the elimination of general fund support of this program. In an effort to meet its general fund reversion target in the 1991 biennium, the agency reduced program activity and is no longer actively pursuing the eradication of skunks. In addition, the restrictions placed on the use of strychnine by the Environmental Protection Agency limited this program. The agency has requested that the program be continued at the reduced level in the 1993 biennium. The reduced program is funded entirely by a \$15,000 grant from the Department of Fish, Wildlife, and Parks.

MEAT INSPECTION PROGRAM

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	13.00	13.00	13.00	13.00	.00
Personal Services	302,781	341,976	358,591	358,007	11.14%
Operating Expenses	104,450	112,973	98,454	97,895	-9.69%
Equipment	<u>4,632</u>	<u>2,118</u>	<u>0</u>	<u>0</u>	<u>-100.00%</u>
Total Program	\$411,863	\$457,067	\$457,045	\$455,902	5.07%
<u>Fund Sources</u>					
General Fund	205,769	228,534	228,522	227,951	5.10%
Federal Revenue Fund	<u>206,094</u>	<u>228,533</u>	<u>228,523</u>	<u>227,951</u>	<u>5.03%</u>
Total Funds	\$411,863	\$457,067	\$457,045	\$455,902	5.07%

Program Description

The Meat and Poultry Inspection Program within the Meat, Milk, and Egg Inspection Division was established in 1987 by the Montana Meat and Poultry Inspection Act. Its function is to implement and enforce a meat and poultry inspection system equal to that maintained by the U.S. Department of Agriculture (USDA) and Food Safety Inspection Service (FSIS). By providing a state certification with federal standards, this program's goals are to assure clean, wholesome, properly labeled meat and poultry products for the consumer and, in doing so, increase the supply of Montana-raised products into Montana-based processing facilities.

related decrease in travel and other operating expenses over fiscal 1990 expenditures. Current level excludes this contracted service request, leaving other operating expenses at the 1990 levels. The agency's budget request did not include any equipment for the 1993 biennium.

The program is funded with 50 percent from the general fund and 50 percent from the federal meat/poultry inspection special revenue fund, which receives revenue from the U.S. Department of Agriculture.

Executive Budget Modification

Meat & Poultry Inspection

The Montana Meat Inspection Program was created by the 1987 legislature. During fiscal 1988, the program was initiated with 3.0 FTE and had expenditures of \$128,167. In fiscal 1989, the program had hired the 10.0 FTE authorized by the 1987 legislature and spent \$296,917. The 1989 legislature expanded the program to its current level of 13.0 FTE and added \$645,626 for the 1991 biennium. The department estimated that the additional FTE would enable the program to inspect 20 facilities in the 1991 biennium. During calendar year 1989, the ten inspectors inspected 24 slaughter and slaughter/processing facilities.

Current Level Budget

The program's current level increases 5.1 percent over the previous biennium due to an 11.1 percent increase in personal services from vacancy savings in fiscal 1990 and the increased pay plan in fiscal 1991 that is continued in the 1993 biennium. Operating costs decrease from fiscal 1990 actual expenditures due to: 1) lower insurance and bonding costs; and 2) elimination of \$7,580 in "general" expenses not requested in the agency's budget. The agency budget request includes \$27,222 each year for contracting with local veterinarians for inspections and a

MEAT AND POULTRY INSPECTION PROGRAM

The department requests an additional \$337,548 and 4.0 FTE for the biennium funded 50 percent from the general fund and 50 percent from the federal meat/poultry inspection special revenue account to inspect the eight to ten additional slaughtering, slaughtering/processing, and custom-exempt facilities which are expected to be enrolled in this program during the next

biennium. During the current biennium, the department has received additional inspection requests and applications for inspection which cannot be handled by the current number of inspectors. In addition, the request includes \$48,000 for the biennium to contract for inspection and veterinarian services.

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

DEPARTMENT OF AGRICULTURE

Budget Item	Executive Current Level		LFA Current Level		Executive Over (Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	91.59	91.59	90.72	90.72	0.87
Personal Services	2,608,836	2,608,254	2,568,860	2,568,698	79,532
Operating Expenses	1,218,313	1,244,942	1,098,109	1,100,081	265,065
Equipment	110,057	87,808	89,326	85,786	22,753
Grants	2,244,630	2,247,512	1,853,496	1,856,378	782,268
Total Agency	\$6,181,836	\$6,188,516	\$5,609,791	\$5,610,943	\$1,149,618
<u>Fund Sources</u>					
General Fund	1,532,899	1,531,159	1,454,041	1,440,638	169,379
State Revenue Fund	4,032,692	4,039,956	3,538,917	3,542,323	991,408
Federal Revenue Fund	311,721	311,794	332,045	342,552	(51,082)
Proprietary Fund	11,218	11,271	8,155	8,181	6,153
Expendable Trust Fund	293,306	294,336	276,633	277,249	33,760
Total Funds	\$6,181,836	\$6,188,516	\$5,609,791	\$5,610,943	\$1,149,618

Executive Budget Comparisons

The LFA current level for the 1993 biennium is \$1,149,618 less than the Executive Budget current level.

Personal Services

Biennial personal services costs are \$79,532 less in the LFA current level due to: 1) the elimination of 0.87 FTE which was vacant much of the 1991 biennium; 2) inclusion of \$47,822 less in overtime, part of which the Executive Budget uses to fund upgrades for pesticide specialists; and 3) budgeting per diem and other compensation for six of the agencies various boards, committees, and councils at fiscal 1990 actual expenditures. The Executive Budget current level budgets overtime, per diem, and other compensation at \$1,975 above fiscal 1991 appropriated levels.

Operating Expenses and Equipment

Biennial operational expenses are \$265,065 (10.8 percent) lower in the LFA current level because they are based on fiscal 1990 actual expenditures, which are significantly lower than the fiscal 1991 appropriation used as the Executive

Budget base. For example, the LFA current level funds the Grain Laboratory operating expenses at fiscal 1990 actual levels. The Executive Budget includes \$52,032 more operating expenses for the biennium, based on the fiscal 1991 appropriated level. Similarly, the Executive Budget includes \$50,347 more for printing costs, based on the fiscal 1991 appropriation. The Executive Budget also includes \$51,740 more than the LFA current level for the proposed new Department of Administration network fees.

The LFA current level operating expenses are higher than the Executive Budget in two areas. The LFA budget fully funds the Groundwater program (which was not fully operational in fiscal 1990) at the levels authorized by the 1989 legislature, resulting in a \$23,735 biennial increase.

The LFA current level also includes \$12,264 more for expenses associated with the Young Agricultural Couples Conference.

Equipment, budgeted primarily at historical levels less one-time only expenditures, is \$22,753 less in LFA current level than the Executive Budget.

DEPARTMENT OF AGRICULTURE

Grants

The Executive Budget current level includes \$782,268 more in three types of grants.

The largest difference (\$742,906) is in Wheat and Barley Committee grants. While the LFA grant level is based on actual fiscal 1990 expenditures, the Executive Budget projects grants based on revenues projected from good crop growing conditions. Drought conditions (such as experienced in 1985 through 1988) cause a reduction in revenues. In order to build a reserve to handle revenue shortfalls, the committee has not expended full collections in recent years.

The Executive Budget also includes \$5,200 in Agricultural Finance grants and \$34,162 in Vertebrate Pest grants to universities for rodenticide research that are not included in the LFA current level.

Funding

The LFA current level for the Groundwater program is partially funded

with an anticipated \$69,000 federal grant. The Executive Budget uses this grant to fund a budget modification for the program. The Executive Budget funds an expanded mint program with an anticipated increase in earmarked revenue, while the LFA current level reflects funding at fiscal 1990 expenditure levels. The LFA current level uses a fund balance in the Anhydrous Ammonia program to help fund the program.

Executive Budget Modifications

In addition to the \$12.37 million current level budget for the 1993 biennium, the Executive Budget contains \$949,275 and 5.5 FTE in modified budget requests for the Department of Agriculture. In addition, these modifications contain a funding shift of \$1.33 million from general fund to state special revenue accounts. These budget modifications are listed in the following agency narrative and discussed in more detail in program narratives.

DEPARTMENT OF AGRICULTURE

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	90.33	92.59	90.72	90.72	-1.87
Personal Services	2,321,776	2,581,816	2,568,860	2,568,698	4.77%
Operating Expenses	1,109,243	1,249,332	1,098,109	1,100,081	-6.80%
Equipment	219,276	132,688	89,326	85,786	-50.25%
Grants	<u>1,796,998</u>	<u>2,513,022</u>	<u>1,853,496</u>	<u>1,856,378</u>	<u>-13.93%</u>
Total Agency	\$5,447,293	\$6,476,858	\$5,609,791	\$5,610,943	-5.90%
<u>Fund Sources</u>					
General Fund	1,523,880	1,614,889	1,454,041	1,440,638	-7.78%
State Revenue Fund	3,412,803	4,209,548	3,538,917	3,542,323	-7.10%
Federal Revenue Fund	282,134	354,648	332,045	342,552	5.94%
Proprietary Fund	7,799	10,561	8,155	8,181	-11.02%
Expendable Trust Fund	<u>220,677</u>	<u>287,212</u>	<u>276,633</u>	<u>277,249</u>	<u>9.06%</u>
Total Funds	\$5,447,293	\$6,476,858	\$5,609,791	\$5,610,943	-5.90%

Agency Description

Article XII, Section 1 of the Montana Constitution requires the legislature to establish the Department of Agriculture. The department is organized into four divisions: Centralized Services, Environmental Management, Plant Industry, and Agricultural Development. The department was established to encourage and promote the interests of agricultural and allied industries in Montana. It collects and publishes agricultural production and marketing statistics relating to agricultural products; assists, encourages, and promotes the organization of farmers' institutes, agricultural societies, fairs, and other exhibitions of agriculture; adopts standards for grade and other classifications of farm products; coordinates in devising and maintaining economical and efficient marketing distributions systems; gathers and distributes marketing information concerning supply, demand, price, and movement of farm products; and administers regulations pertaining to production and marketing of food and fiber products.

Current Level Budget

The agency's current level decreases 5.9 percent from the previous biennium, due to substantial decreases in operating expenses, equipment, and grants. Personal services increase 4.8 percent over the previous biennium due primarily to vacancy savings achieved in fiscal 1990 and the pay plan increase in fiscal 1991 which continues in the 1993 biennium. In addition, 2.26 more FTE were authorized in fiscal 1991 than fiscal 1990. The decrease of 1.87 FTE from the fiscal 1991 level reflects: 1) three positions (0.87 FTE) which were vacant much of the 1991 biennium and are not included in current level for a savings of \$27,325; and 2) 1.00 FTE eliminated when the Agricultural Assistance and Counseling program sunsets on July 1, 1991, in accordance with Section 80-13-101, MCA.

The 6.8 percent decrease in operating expenses from fiscal 1990 actual expenditures is caused primarily by the sunset of the Agricultural Assistance and Counseling program and an anticipated reduction in the Agricultural Development Council program. Biennial increases in operating expenses above the actual 1990 level include: 1) \$57,753 in the groundwater program to reflect full

DEPARTMENT OF AGRICULTURE

implementation of the groundwater and water well programs authorized by the 1989 legislature; 2) \$34,264 to implement an audit recommendation that expenditures for the Young Agricultural Couples Conference be moved from grants to operating expenses; and 3) \$95,008 of increased dues (based on a 5-year grain production average) in the Wheat and Barley Committee for membership in export market development organizations. In addition, fixed costs increase \$18,123 and inflationary adjustments add \$32,118 in the biennium current level.

Current level equipment reflects historical levels for all programs, except the Agricultural Development and Grain Lab programs which are budgeted at their requested levels. A large portion of the 50.3 percent decrease in equipment expenditures in the 1993 biennium occurs in the Environmental Management Division, where \$84,492 of "one-time" equipment purchases occurred during the 1991 biennium.

The net yearly increase in grants over fiscal 1990 actual expenditures is due to: 1) \$137,562 increase in noxious weed grants as requested by the agency; 2) \$17,132 decrease from grant expenditures in the agricultural finance program now classified as operating expenses; and 3) \$63,932 decrease in Agricultural Development Council grants, which are statutorily appropriated.

The department's largest funding source is state special revenue collected from wheat and barley sales taxes, noxious weed vehicle taxes, herbicide surcharge, grain inspection and testing fees, commercial feed and fertilizer registration, and inspection fees. In addition, the department receives 0.76 percent of coal severance tax collections for the Growth through Agriculture program. General fund: 1) subsidizes various revenue accounts that cannot fund their portion of the Centralized Management Division's costs; 2) provides funding for the Environmental Management Division, most of which is reimbursed by pesticide registration and license fees that are deposited into the general fund; 3) finances the majority of the Plant Industry Division's costs; and 4) finances most of the agricultural statistics and agricultural marketing programs within the Agricultural Development Division. Table 1 shows the agency's estimate of revenue from various fees the department collects under current statute. Coal production tax estimates are those of the legislative fiscal analyst.

DEPARTMENT OF AGRICULTURE

Table 1
Fees Collected by the Department of Agriculture

Revenue Source	FY 1989	FY 1990	FY 1991 (Estimated)	FY 1992 (Estimated)	FY 1993 (Estimated)
Mint Oil Assessment	\$0	\$9,079	\$9,079	\$26,500	\$26,500
Wheat Sales Tax	551,791	1,198,947	1,198,947	1,251,000	1,251,000
Barley Sales Tax	228,237	391,052	391,052	400,000	400,000
Vehicle Taxes	381,696	1,111,743	1,111,743	1,480,000	1,480,000
Herbicide Surcharge	144,752	184,174	184,174	200,000	200,000
Anhydrous Ammonia	12,792	21,386	21,386	23,000	23,000
Counseling and Consulting	175	17,273	17,273	0	0
Coal Production Tax	445,098	515,816	416,000	312,000	292,000
Fertilizer Registrations	29,254	45,260	45,260	64,000	64,000
Fertilizer Tax	1,138	3,476	3,476	4,000	4,000
Fertilizer Testing Fee	76,835	77,748	77,748	85,000	85,000
Grain Testing Fee	343,634	473,648	473,648	523,015	523,015
Commercial Feed Reg.	50,811	63,601	63,601	65,000	65,000
Commercial Feed Reg. (GW)	0	11,040	12,000	12,000	12,000
Commercial Feed Testing	48,732	66,468	66,468	70,000	70,000
Alfalfa Seed Assessment	25,825	7,724	7,724	21,000	21,000
Rodenticide Surcharge	6,337	4,019	4,019	25,000	25,000
Alfalfa Leaf Cutter Bee	7,136	7,854	7,854	12,000	12,000
Hail Insurance Levy	1,412,851	2,768,323	3,165,358	3,520,000	3,520,000
Pesticide Registrations	249,705	357,080	367,500	367,500	367,500
Pesticide Reg. (GW)	0	67,740	73,500	73,500	73,500
Pesticide Licenses	<u>72,416</u>	<u>93,290</u>	<u>93,290</u>	<u>93,290</u>	<u>93,290</u>
TOTAL	\$4,089,215	\$7,496,741	\$7,811,100	\$8,627,805	\$8,607,805

Federal revenues consist of pest control grants, miscellaneous federal assistance (market service account), and federal indirect cost recovery funds. The single proprietary account consists of assessments associated with the Alfalfa Leaf Cutter Bee program. The department's two expendable trusts

finance the Rural Development and the Hail Insurance programs as well as a portion of Central Management Division's costs.

The following table summarizes the budget modifications included in the Executive Budget. Additional information on each request is included in the program narratives.

Executive Budget Modifications

1993 Biennium

Budget Modification	FTE FY92	FTE FY93	General Fund	Other Funds	Total
1. CS Indirect Costs Switch			(\$221,346)	\$221,346	\$0
2. Grain Lab Increase	2.00	2.00	\$0	\$107,058	\$107,058
3. Pesticide Program Workload	1.18	1.25	(\$786,867)	\$929,810	\$142,943
4. Groundwater Pgm. Workload	<u>1.94</u>	<u>2.25</u>	<u>(\$324,981)</u>	<u>\$1,024,255</u>	<u>\$699,274</u>
Total	5.12	5.50	(\$1,333,194)	\$2,282,469	\$949,275

CENTRALIZED SERVICES DIVISION

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	10.00	10.00	10.00	10.00	.00
Personal Services	300,638	336,085	353,988	354,141	11.21%
Operating Expenses	75,250	70,470	69,161	69,445	-4.88%
Equipment	<u>4,775</u>	<u>5,100</u>	<u>4,375</u>	<u>4,375</u>	<u>-11.39%</u>
Total Program	\$380,663	\$411,655	\$427,524	\$427,961	7.97%
<u>Fund Sources</u>					
General Fund	194,313	176,423	190,108	190,296	2.61%
State Revenue Fund	168,718	182,703	183,891	184,086	4.71%
Federal Revenue Fund	17,632	18,519	18,851	18,870	4.34%
Expendable Trust Fund	<u>0</u>	<u>34,010</u>	<u>34,674</u>	<u>34,709</u>	<u>104.01%</u>
Total Funds	\$380,663	\$411,655	\$427,524	\$427,961	7.97%

Program Description

The Centralized Services Division performs technical, fiscal, and administrative support functions of the department's internal operations and related programs. Responsibilities include accounting, budgeting, payroll, personnel, purchasing, property control, data processing, systems analysis and computer programming, equal opportunity administration, and legal support to all programs within the department. Included in this division is the director's office, which provides overall policy development for the department. Attached as a unit to the director's office is the State Grain Laboratory, which was recently transferred from the Plant Industry Division.

Current Level Budget

The program's current level increases 8.0 percent over the previous biennium due to vacancy savings achieved in fiscal 1990 and the pay plan increase in fiscal 1991 which is included in personal services costs in the 1993 biennium. The reduction of current level operating expenses from fiscal 1990 actual expenditures is primarily due to full audit costs being expended in fiscal 1990 while 1993 biennial audit costs are split equally between fiscal

1992 and 1993. In comparison to fiscal 1990 actual expenditures, biennial fixed costs increases of \$5,712 and inflationary adjustments of \$949 are included in the 1993 biennium. In addition, 1993 biennial operating expenses were increased \$2,392 each year to reflect actual fiscal 1990 expenditures from expendable trusts which are not included in the fiscal 1990 totals shown above. Equipment, budgeted at the program's historical expenditure levels, is included in the current level.

This program is funded by assessments on revenue sources which support the department's programs. To calculate these assessments, 19.24 percent in fiscal 1992 and 19.28 percent in fiscal 1993 are applied against personal services of each program and charged to each account. Historically, these percentages are determined by the ratio of central services budget to the sum of the agency's total personal services and 2.5 percent of grants. Hail and rural development expendable trust accounts are included in these assessments in accordance with a 1989 amendment that requires temporary appropriations for expenditure of administrative costs from expendable trusts. The department may wish to establish a state special revenue account for these funds so that the legislature does not have to include special language in the appropriation bill addressing the expendable trusts.

CENTRALIZED SERVICES DIVISION

Personal services funded from the federal account are assessed a rate of 19.56 percent, which is consistent with prior fiscal year rates. Also included is a rate of 2.5 percent assessed on grants administered by the department. General fund finances the balance of the program's budget above the assessments.

Executive Budget Modifications

CS Indirect Costs Switch

The department requests \$221,346 for the 1993 biennium from two proposed new

state special revenue accounts to fund the division's indirect costs, replacing a like amount of general fund. This modification is contingent upon approval of the budget modifications for workload increases in the pesticide and groundwater programs within the Environmental Management Division and upon passage of legislation earmarking pesticide registration fees, which are currently deposited in the general fund. Currently, indirect costs are funded by general fund and assessments to accounts supporting other programs.

STATE GRAIN LABORATORY

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	.00	.00	12.00	12.00	12.00
Personal Services	373,602	0	333,979	335,064	79.08%
Operating Expenses	60,863	0	62,353	62,798	105.63%
Equipment	<u>41,960</u>	<u>0</u>	<u>19,000</u>	<u>15,500</u>	<u>-17.78%</u>
Total Program	\$476,425	\$0	\$415,332	\$413,362	73.94%
<u>Fund Sources</u>					
State Revenue Fund	<u>476,425</u>	<u>0</u>	<u>415,332</u>	<u>413,362</u>	<u>73.94%</u>
Total Funds	\$476,425	\$0	\$415,332	\$413,362	73.94%

Program Description

The State Grain Laboratory program, a newly-created program transferred from the Plant Industry Division, provides grades, protein determinations, malting barley germinations, and falling number tests for contract settlement prices between buyers and sellers of grain crops in Montana.

Current Level Budget

Because an agency reorganization in fiscal 1990 transferred the grain lab function from the Plant Industry Division and created the Grain Lab Program, this program has no fiscal 1991 appropriation. The 1989 legislature authorized 11.00 FTE for this program when it was part of the Plant Industry Division. When the grain laboratory was reorganized, 12.00 FTE were transferred from the Plant Industry Division. Personal services decrease relative to fiscal 1990 expenditures because of \$75,697 of hourly wages not included in the 1993 biennium current level. The agency's budget request contains an additional 1.5 FTE transferred from other programs in lieu of these hourly wages. These additional FTE continue to be budgeted within the respective programs in the current level budget. Personal services increases, which partially offset the decrease in hourly wages, result from fully funding all positions and from the pay plan increase

in fiscal 1991 which is included in the 1993 biennium personal services costs. The 1993 biennium operating expenses increase over fiscal 1990 actual expenditures due to \$1,997 in fixed costs and \$2,612 in inflationary increases during the biennium. The agency's equipment request, which includes replacement scales and a dockage tester, is included in current level.

The program is funded entirely with grain service fees charged to grain producers and the grain industry for providing grading, protein, dockage, and falling number tests on a variety of major grains and specialty crops.

Executive Budget Modifications

Grain Lab Increase

The Executive Budget includes \$107,058 and 2.0 FTE for the 1993 biennium funded from the grain services account. The request would allow continuation of 2.0 FTE added in fiscal 1990 as grain inspectors for grain grading. The grain laboratory program is undergoing considerable expansion. The authorized level of 11.00 FTE was increased to 12.00 with the reorganization. The department's budget submission outlines program transfers anticipated in fiscal 1991 that will increase FTE to 13.50. Approval of this budget modification would increase FTE to 15.50. The department used excess existing appropriation authority in the 1991

STATE GRAIN LABORATORY

biennium to meet workload demands. Recognizing the potential for increased demand, the 1989 legislature included language in House Bill 100 stating that workload increases at the grain laboratory would be considered an emergency for budget amendment purposes. An increase in demand for services from the grain industry necessitated the additional FTE during fiscal 1990 and 1991, funded by the additional fee revenue generated. In addition, the request includes the \$20,000 purchase of laboratory equipment to measure the percentage of oil content on canola, flaxseed, sunflower seed, rapeseed, and safflower seed. This service has been requested by the oilseed growers in Montana.

Issue

The fund balance in the grain services account has grown in the last four years. In 1989, the Legislative Auditor recommended the department review the fee structure. As a result, protein and official sample fees were reduced in fiscal 1991. Table 2 shows ending fund balances for the 1993 biennium based on anticipated revenues and expenditures which reflect fiscal 1991 expenditures at fiscal 1990 levels and approval of requested budget modifications. Total revenue increases in the 1993 biennium due to an anticipated increase in the volume of samples tested.

Table 2
Four Year Cash Flow of the Grain Services Account

	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>
Beginning Balance	\$321,795	\$277,395	\$256,867	\$225,890
Revenues				
Inspection/ Testing Fees	\$473,648	\$473,648	\$523,015	\$523,015
Other	<u>41,778</u>	<u>41,784</u>	<u>52,400</u>	<u>52,400</u>
Total Funds Available	<u>\$837,221</u>	<u>\$792,827</u>	<u>\$832,283</u>	<u>\$801,305</u>
Disbursements				
Grain Laboratory Program	\$476,420	\$476,420	\$535,786	\$517,436
Centralized Services	59,540	59,540	70,606	70,798
Long Range Building Plan	<u>1,901</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Disbursements	\$537,861	\$535,960	\$606,392	\$588,234
Adjustments	<u>\$(21,965)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Ending Balance	<u>\$277,395</u>	<u>\$256,867</u>	<u>\$225,890</u>	<u>\$213,071</u>

ENVIRONMENTAL MANAGEMENT DIVISION

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	26.24	28.50	30.42	30.42	1.92
Personal Services	711,932	811,495	859,975	859,693	12.88%
Operating Expenses	248,488	294,283	283,013	283,445	4.36%
Equipment	142,534	91,265	53,853	53,853	-53.93%
Grants	<u>1,088,051</u>	<u>17,081</u>	<u>1,225,613</u>	<u>1,228,495</u>	<u>122.06%</u>
Total Program	\$2,191,005	\$1,214,124	\$2,422,454	\$2,425,486	42.37%
<u>Fund Sources</u>					
General Fund	697,905	762,498	654,982	642,504	-11.16%
State Revenue Fund	1,282,873	195,012	1,469,088	1,474,083	99.15%
Federal Revenue Fund	<u>210,227</u>	<u>256,614</u>	<u>298,384</u>	<u>308,899</u>	<u>30.08%</u>
Total Funds	\$2,191,005	\$1,214,124	\$2,422,454	\$2,425,486	42.37%

Program Description

The Environmental Management Division administers, manages, coordinates, and evaluates the major activities of: 1) pesticide and pest management; 2) analytical laboratory services; 3) weed management (transferred from the Agricultural Development program); 4) agricultural chemical groundwater management; and 5) vertebrate pest management. This program administers the Montana Pesticides Act, Agricultural Chemical Groundwater Protection Act, Crop Insect Detection Act, Vertebrate Pest Management Act, Noxious Weed Trust Fund Act, elements of the Weed Assistance Act, and the department's Chemical Analytical Laboratory. The division's duties include: licensing pesticide products and pesticide users and dealers; providing technical and educational information on pesticides and pest management; issuing noxious weed grants; preventing or remedying effects of agricultural chemicals on groundwater; providing analytical laboratory services; recommending vertebrate pest management techniques; and enforcing compliance with the pesticide and agricultural chemical groundwater act requirements and related program functions.

Current Level Budget

Program current level increases 42.4 percent over the previous biennium due primarily to the transfer of the noxious weed program from the Agricultural Development Division to this division. Grants administered by this program are not reflected in fiscal 1991 appropriations listed in the above table. In addition, personal services increased due to: 1) vacancy savings achieved in fiscal 1990; 2) the pay plan increase in fiscal 1991 which is included in personal services costs in the 1993 biennium; and 3) the increase of 1.92 FTE due to transfer of the noxious weed control program from the Agricultural Development Division. The 4.4 percent increase in operating expenses reflects implementation of the groundwater protection and the well monitoring program operating expansions at the 1991 appropriated levels. The 1989 legislature authorized a 48 percent increase in these programs between fiscal 1990 and 1991, when the programs were expected to become fully operational. Biennial inflationary adjustments of \$9,448 and a \$2,905 biennial increase in fixed costs above fiscal 1990 actual expenditures are included in the 1993 biennium operating costs. Equipment at historical expenditure levels has been included. The legislature approved one-time equipment expenditures for a gas

ENVIRONMENTAL MANAGEMENT DIVISION

chromatograph/mass spectrometer and related data systems which were budgeted at \$135,592 in the 1991 biennium and were removed in calculating the historical level.

The program's largest funding source is the state special revenue funds collected from noxious weed vehicle registration fees, herbicide surcharges, and commercial feed and fertilizer registration and inspection fees. The large increase in state special revenue funding results from the inclusion in this division's budget of noxious weed vehicle registration and herbicide surcharge funds used to finance the noxious weed program and its grants. Federal funds consist of pest control grants and miscellaneous federal assistance. General fund is used to finance a portion of all the programs in the division except noxious weed and vertebrate pest control.

Executive Budget Modifications

Pesticide Program Workload

The Executive Budget includes \$142,943 for the biennium and 1.18 FTE in fiscal 1992 and 1.25 FTE in fiscal 1993 to handle the growing number and complexity of pesticide investigations. The request for additional FTE is set forth in Table 3.

Table 3
Department of Agriculture
Pesticide Program FTE Modification

Position	FY 92 FTE	FY 93 FTE
Pest. Specialist	0.50	0.50
Chemist	0.50	0.50
Lab Typist	<u>0.18</u>	<u>0.25</u>
Total	1.18	1.25

The pesticide specialist would provide assistance to the Field Services Bureau on the compliance program and managing personnel for the pesticide as well as

the groundwater programs. The chemist position would analyze the increased numbers of pesticide and groundwater samples. The clerk typist would handle the projected increase in sample analysis reports and related documentation. The Field Services Bureau's current level is funded from the general fund and federal funds. However, the division plans to fund the existing program and these additional positions by raising the registration fee from \$90 to \$200 and depositing total receipts in a state special revenue account, rather than in the general fund as provided under current law. Of the proposed \$110 increase, \$15 would be used to fund this modification and the remainder would be used to help fund the modification discussed below. In addition, this request includes \$63,315 for a contract with Montana State University Extension Service to develop a training program for retailers selling home, yard, and garden pesticides and for urban consumers. Funding for this training program would be from a proposed new license fee of \$45 collected from an estimated 1,600 retailers.

Groundwater Program Workload

The Executive Budget includes requesting \$699,274 for the biennium and 1.94 FTE in fiscal 1992 and 2.25 FTE in fiscal 1993 to expand education and prevention efforts concerning the impact of agricultural chemicals on the state's groundwater. The 1989 legislature passed the Agricultural Chemical Ground Water Act which increased pesticide registration fees by \$15 to implement a general management plan, adopt rules to implement specific management plans, and undertake some groundwater monitoring. In addition, a \$10 registration fee increase in fertilizer registrations was enacted to fund mitigation of groundwater problems caused by fertilizers. The 1989 legislature funded the groundwater program expansion at \$52,901 and 0.24 FTE for fiscal 1990 and \$59,901 and 1.00 FTE for fiscal 1991. It also approved three other groundwater connected program expansions (pesticide labeling, well monitoring, and equipment purchases) totalling

ENVIRONMENTAL MANAGEMENT DIVISION

\$121,823 and 0.50 FTE in fiscal 1990 and \$142,626 and 2.00 FTE in fiscal 1991. The division wants to expand the program's educational and preventive efforts and provide monitoring of specific management plans at several sites. The request for additional FTE is detailed below.

registrations. Historically, the number of registrations have been:

Calendar Year

1990	4,862
1989	4,877
1988	4,983
1987	4,699
1986	4,421

If registration fees are increased to \$200, they will have increased 300 percent in three years and be among the highest in the nation. Pesticide registrants must also pay federal Environmental Protection Agency (EPA) maintenance fees on each pesticide product. In 1991, this fee is expected to be \$1,300 per product. Some registrants may choose not to renew their registration if costs increase. In addition, EPA is considering canceling 1,366 products if re-registration data gaps are not filled. Given these factors, the department's revenue estimates may be based on an unrealistic number of pesticide registrations.

Diverting General Fund to State Special

In addition to the pesticide registration fee increase discussed above, the department is also proposing legislation to establish a \$45 licensing fee assessed on dealers of home, yard, and garden use pesticides. Total fee collections, including the fee increases, would be deposited in two new state special revenue accounts, instead of being deposited in the general fund. The Executive Budget uses these earmarked revenues to fund \$221,346 of agency indirect costs, a portion of the existing groundwater and pesticide programs, and the proposed expansions in these programs for the 1993 biennium. These proposed actions will reduce general fund expenditures by approximately \$1.33 million and general fund revenues by \$1.04 million, for a net general fund savings of approximately \$297,000. However, total fees collected from the industry will more than double, increasing \$1.23 million over the current biennium. These proposed actions would also

Table 4

Department of Agriculture Groundwater Program FTE Modification

<u>Position</u>	<u>FY 92 FTE</u>	<u>FY 93 FTE</u>
Pest. Specialist	0.50	0.50
Chemist	0.50	0.50
Lab Typist	0.19	0.25
GW Specialist	<u>0.75</u>	<u>1.00</u>
Total	1.94	2.25

The department proposes to increase pesticide registration from \$90 to \$200. Of the \$110 increase, \$95 would be used to partially fund this modification in the groundwater program with the remainder coming from EPA grants.

Issues

Pesticide Registration Fee Increases

The 1989 legislature enacted two bills which increased pesticide registration fees. House Bill 190 increased registration fees from \$50 to \$75. House Bill 757, which established the Agricultural Chemical Groundwater Protection Program, increased registration fees by \$15 to \$90. The department is proposing legislation during the 1991 session that would increase pesticide registration fees to \$200 to fund pesticide and groundwater program expansions and portions of the existing programs, which are now funded primarily from general fund.

The department's revenue projections for these fee increases are based on an estimated 4,900 annual pesticide

ENVIRONMENTAL MANAGEMENT DIVISION

increase the number of "earmarked" special revenue accounts. The 1989 legislature enacted Senate Bill 78, which de-earmarked several state special

revenue funds and required money in those accounts to be deposited in the general fund.

PLANT INDUSTRY DIVISION

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	30.09	30.09	17.59	17.59	-12.50
Personal Services	422,505	813,264	480,041	480,007	-22.31%
Operating Expenses	107,850	168,236	100,817	100,927	-26.93%
Equipment	18,694	32,281	8,758	8,758	-65.64%
Total Program	\$549,049	\$1,013,781	\$589,616	\$589,692	-24.54%
<u>Fund Sources</u>					
General Fund	434,678	453,988	434,919	435,151	-2.09%
State Revenue Fund	102,461	540,328	143,731	143,578	-55.30%
Federal Revenue Fund	4,111	8,904	2,811	2,782	-57.03%
Proprietary Fund	7,799	10,561	8,155	8,181	-11.02%
Total Funds	\$549,049	\$1,013,781	\$589,616	\$589,692	-24.54%

Program Description

The Plant Industry Division administers agricultural programs relating to the production, manufacturing, and marketing of commodities exported from or distributed in the state. The division provides services to industry by: 1) performing professional insect/disease surveys; 2) performing medicated feed mill inspections; 3) issuing official grade commodity certificates; 4) issuing dealer licenses/permits; 5) registering products; and 6) performing analytical analyses of bees, seeds, fertilizer, feed, and grains. Program staff provide technical/scientific information upon request to industry and the general public. Staff investigate and resolve consumer complaints ranging from product contamination and quality control to elevator bankruptcies and non-payment for products. The state grain laboratory was transferred from this program to a new State Grain Laboratory program in fiscal 1991.

Current Level Budget

Program current level decreases 24.5 percent from the previous biennium due primarily to the transfer of the State Grain Laboratory out of the Plant Industry Division. Fiscal 1991 appropriated levels include the state grain laboratory. The 12.50 decrease in

FTE is from: 1) 12.00 FTE transferred to the grain laboratory; and 2) the elimination of 0.50 FTE position (an agricultural inspector technician) which has been vacant much of the 1991 biennium for a biennial savings of \$16,438. Biennial decreases in the current level from fiscal 1990 actual expenditures include: 1) \$16,592 of travel expenses the legislature specified in House Bill 100 should not be included in the 1993 biennium budget; and 2) \$3,212 of one-time warehouse liquidation expenses. Biennial operating expense increases above 1990 actual expenditures include \$2,133 in fixed costs and \$5,488 in inflationary adjustments. Current level equipment expenditures reflect historical levels for the program with adjustments made for the grain laboratory reorganization.

General fund finances the majority of this program. State special revenues consist of commercial feed and fertilizer registration and inspection fees, mint assessments, wheat and barley sales taxes, and anhydrous ammonia inspection fees. The appropriated state special revenue in fiscal 1991 includes funding of the grain lab (now a separate program), which is financed entirely with state special revenue. Federal funds are from the market service account, and the proprietary funding is collected from alfalfa leaf cutter bee assessments.

AGRICULTURAL DEVELOPMENT DIVISION

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	24.00	24.00	20.71	20.71	-3.29
Personal Services	513,099	620,972	540,877	539,793	-4.71%
Operating Expenses	616,792	716,343	582,765	583,466	-12.52%
Equipment	11,313	4,042	3,340	3,300	-56.76%
Grants	<u>708,947</u>	<u>2,495,941</u>	<u>627,883</u>	<u>627,883</u>	<u>-60.82%</u>
Total Program	\$1,850,151	\$3,837,298	\$1,754,865	\$1,754,442	-38.30%
<u>Fund Sources</u>					
General Fund	196,984	221,980	174,032	172,687	-17.24%
State Revenue Fund	1,382,326	3,291,505	1,326,875	1,327,214	-43.21%
Federal Revenue Fund	50,164	70,611	11,999	12,001	-80.13%
Expendable Trust Fund	<u>220,677</u>	<u>253,202</u>	<u>241,959</u>	<u>242,540</u>	<u>2.24%</u>
Total Funds	<u>\$1,850,151</u>	<u>\$3,837,298</u>	<u>\$1,754,865</u>	<u>\$1,754,442</u>	<u>-38.30%</u>

Program Description

The Agriculture Development Division administers programs to promote Montana agriculture through market development and enhancement. Assistance is given toward commercialization of traditional as well as innovative agricultural products and processes. The program provides support to the Alfalfa Seed Committee, the Montana Wheat and Barley Committee, the Montana Agricultural Development Council.

The Agricultural Development Division is comprised of the Marketing, Rural Development, and Wheat and Barley Bureaus. The Marketing Bureau provides market development, enhancement, and promotion assistance to Montana agricultural producers and businesses. Activities include: market research; in-state and regional promotion of Montana's raw and processed products; direct assistance to Montana businesses in marketing their products domestically and internationally; and compilation and dissemination of agricultural statistics. The Rural Development Bureau is responsible for the Agricultural Finance program, the Hail Insurance program, and the Agricultural Assistance program. The Agricultural Finance program makes reduced interest rate loans to rural youth and other qualified individuals for agricultural

projects and supports such activities as the Young Agricultural Couples Conference. The Hail Insurance program offers hail insurance to crop producers at actual cost. The Agricultural Assistance and Counseling program scheduled to sunset July 1, 1991, provides financial consulting, peer counseling, and debt mediation to financially distressed farmers and ranchers. The Wheat and Barley Bureau is responsible for promoting and encouraging research in all phases of wheat and barley, culture, production, and marketing under the guidelines and policy of the Wheat and Barley Committee. The Montana Agricultural Development Council receives funds from the Growth Through Agriculture program which is funded from 0.76 percent of total coal tax collections. In addition to its statutory requirement of placing a foreign trade representative in the Pacific Rim, this program provides grants and seed capital loans to agricultural businesses in Montana. The weed management functions of the Agricultural Development Division were transferred to the Environmental Management program in fiscal 1990.

Current Level Budget

Program current level decreases 38.3 percent from the previous biennium due primarily to the transfer of the noxious

AGRICULTURAL DEVELOPMENT DIVISION

weed control program to the Environmental Management Division and from the scheduled July 1, 1991, sunset of the Agricultural Assistance and Counseling program. Appropriations in fiscal 1991 include these two programs.

The Agricultural Assistance and Counseling program, scheduled to sunset July 1, 1991, spent \$39,743 general fund, \$38,184 federal funds, and \$24,238 state special revenue collected from counseling fees in fiscal 1990. These expenditures are not included in current level, nor did the agency request continuation of the program in its 1993 biennium budget. Legislation requires that fee revenue be spent prior to general fund and that any fund balance (minimal at 1990 fiscal year end) be deposited to general fund at completion of the program.

Transfer of the noxious weed program resulted in a decrease of 1.92 FTE. Two partial positions (0.37 FTE), a hail insurance adjuster and a typist, which were vacant much of the 1991 biennium, have been removed from current level at a biennial savings of \$10,887. Sunset of the Agricultural Assistance and Counseling program decreases personal services current level by 1.00 FTE and \$21,557 from fiscal 1990 actual expenditures. Operating expenses in fiscal 1992 have a net decrease from fiscal 1990 actual expenditures due to: 1) elimination of \$80,586 of expenses associated with the Agricultural Assistance and Counseling program; 2) increase of \$17,132 from expenses of the Young Agricultural Couples Conference previously classified as grants; 3) increase of \$47,504 in dues, based on wheat and barley production to agricultural trade organizations; and 4)

a \$24,770 reduction in the Agricultural Development Council program from an anticipated reduction in coal tax revenue used to fund the program. In addition, biennial fixed costs increase \$5,376 and inflationary adjustments total \$13,621. The program's equipment request (which includes a computer, printer, and software) is included in current level.

The decrease in grants in fiscal 1992 from fiscal 1990 actual expenditures results from: 1) \$17,132 of Young Agricultural Couples Conference expenses now classified as operating expenses; and 2) \$63,932 of grants by the Agricultural Development Council which were appropriated by the 1989 legislature but are statutorily appropriated by 90-9-306, MCA. The council provides funding from coal severance tax collections. The department has scaled back operations and grants and loans for this program in their 1993 biennium budget due to less funds anticipated from this funding source.

The program is funded mostly with special state revenue primarily consisting of wheat and barley sales taxes, a portion of coal severance tax collections, and alfalfa seed assessments. The large decrease in state special revenue is the result of the transfer of the noxious weed program and its grants program out of the Agricultural Development Division. Federal funds are from the market services account. The expendable trust funds, which finance the Hail Insurance and Rural Development programs, include revenue from the hail insurance levy and interest earnings on rural development loans.

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

DEPARTMENT OF COMMERCE

Budget Item	Executive Current Level		LFA Current Level		Executive Over (Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	307.21	307.21	329.70	329.70	(22.49)
Personal Services	9,568,114	9,562,299	10,292,439	10,287,420	(1,449,446)
Operating Expenses	12,956,525	12,698,644	11,843,691	11,704,638	2,106,840
Equipment	255,531	65,173	110,726	56,526	153,452
Local Assistance	1,118,676	1,118,676	1,250,098	1,250,098	(262,844)
Grants	27,303,948	27,306,745	29,226,435	27,422,799	(2,038,541)
Transfers	<u>146,113</u>	<u>145,949</u>	<u>126,748</u>	<u>126,408</u>	<u>38,906</u>
Total Agency	\$51,348,907	\$50,897,486	\$52,850,137	\$50,847,889	(\$1,451,633)
<u>Fund Sources</u>					
General Fund	5,472,071	5,438,165	5,406,510	5,186,320	317,406
State Revenue Fund	13,215,112	13,204,007	14,498,506	12,694,530	(773,917)
Federal Revenue Fund	22,396,764	22,394,905	23,339,940	23,345,784	(1,894,055)
Proprietary Fund	<u>10,264,960</u>	<u>9,860,409</u>	<u>9,605,181</u>	<u>9,621,255</u>	<u>898,933</u>
Total Funds	\$51,348,907	\$50,897,486	\$52,850,137	\$50,847,889	(\$1,451,633)

Executive Budget Comparisons

The LFA current level budget is \$1.5 million higher than the Executive Budget because the Aeronautics and Transportation programs have been transferred to the new Department of Transportation agency in the Executive Budget.

Without these transfers, the LFA current level budget is \$4.6 million less than the Executive Budget for the biennium. These two programs are excluded in the following comparisons

Table A
Departments of Commerce and Transportation
Proposed Reorganization

<u>Functions Transferred</u>	- Transfers In -		- Transfers Out -		- - Net - -	
	<u>FTE</u>	<u>Expenses</u>	<u>FTE</u>	<u>Expenses</u>	<u>FTE</u>	<u>Expenses</u>
Aeronautics	0.00	0	10.99	\$1,991,207	10.99	\$1,991,207
Transportation	<u>0.00</u>	<u>0</u>	<u>13.00</u>	<u>4,710,962</u>	<u>13.00</u>	<u>4,710,962</u>
Total	0.00	0	23.99	\$6,702,169	23.99	\$6,702,169

Personal Services

Personal services in the LFA current level budget are \$240,449 lower than the Executive Budget current level for the following reasons:

1) 2.0 FTE were deleted (one in the Science and Technology program and one in the Board of Housing program) because both had been vacant for two years. The biennial cost of these two positions was \$136,000;

DEPARTMENT OF COMMERCE

2) per diem for the many boards attached to this agency was budgeted at fiscal 1990 actual expenditures, which is \$58,350 less than the amount included in the Executive Budget; and

3) the Executive Budget includes approximately \$40,000 more in personal services and 1.0 FTE more than the agency requested.

In fiscal 1990, the agency reverted \$1.07 million of its personal services budget.

Operating Expenses

Operating expenses in the LFA current level are approximately \$2.9 million less than the Executive Budget current level. The major differences are:

1) a statutory appropriation in the Promotions program was removed from the base, resulting in a \$1.7 reduction;

2) a contingent appropriation for legal services in the Public Safety program was eliminated for a \$144,000 cost savings; and

3) the LFA current level base for operating expenses projected from the fiscal 1990 actual expenditures is approximately \$1.0 million less than the Executive Budget current level base, which was projected from the fiscal 1991 appropriation.

Excluding statutorily appropriated expenditures, the department spent approximately \$11.0 million for total operating expenses in fiscal 1990, reverting almost \$2.0 million in operating expense budget authority.

Equipment

The Executive Budget includes \$145,600 in the Board of Housing program for a

major purchase of computer equipment. The LFA current level budget does not include this request.

Grants and Local Assistance

While the LFA current level appears to be \$2.3 million higher in the grants and local assistance categories than the Executive Budget current level, this is due to the transfer of grants for the Aeronautics and Transportation programs to the proposed Department of Transportation. When adjustments are made for these grants, the LFA current level for these categories is \$927,000 less than the Executive Budget current level.

Most of this difference is in the Coal Board's local impact grants, which are \$752,100 lower in the LFA current level than in the Executive Budget. The LFA current level reflects the reduced grant funds resulting from the scheduled reduction in coal severance tax rates in fiscal 1992.

The remainder of the difference is in the District Court Reimbursement program and in the Promotions program. In both programs, the LFA grant level is based on fiscal 1990 actual expenditures, while the Executive Budget is based on fiscal 1991 appropriations.

Funding

State Special revenue is lower in the LFA current level funding due to the elimination of the legal contingency fee in the Public Safety program and the anticipated lower level of Coal Board grants. The large federal funding difference between the two budgets reflects the transfer of two programs to the proposed Department of Transportation.

DEPARTMENT OF COMMERCE

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	336.20	336.70	329.70	329.70	-7.00
Personal Services	9,094,235	10,559,771	10,292,439	10,287,420	4.71%
Operating Expenses	19,389,001	12,817,988	11,843,691	11,704,638	-26.89%
Equipment	259,607	92,636	110,726	56,526	-52.52%
Local Assistance	1,356,087	1,118,676	1,250,098	1,250,098	1.03%
Grants	20,866,012	23,823,406	29,226,435	27,422,799	26.76%
Transfers	1,183,819	10,000	126,748	126,408	-78.80%
Debt Service	191,492	3,491	0	0	-100.00%
Total Agency	\$52,340,253	\$48,425,968	\$52,850,137	\$50,847,889	2.91%
Fund Sources					
General Fund	5,297,472	5,864,560	5,406,510	5,186,320	-5.10%
State Revenue Fund	13,408,936	13,686,439	14,498,506	12,694,530	.36%
Federal Revenue Fund	17,083,120	19,055,073	23,339,940	23,345,784	29.19%
Proprietary Fund	16,550,725	9,819,896	9,605,181	9,621,255	-27.09%
Total Funds	\$52,340,253	\$48,425,968	\$52,850,137	\$50,847,889	2.91%

Agency Description

The Department of Commerce, established in 1981 by combining the functions of several state agencies, is responsible for encouraging and promoting commerce-related activities in Montana through a wide spectrum of programs. These programs relate to four major areas: 1) economic development and promotion; 2) assistance to local governments; 3) public safety; and 4) assistance to individuals. In the first area, programs are designed to foster stable, diversified economic development by providing various types of assistance to businesses wishing to develop or expand within the state and internationally. Included are the Business Development Division, Pacific Rim Office, Montana Promotion Division, Montana Health Facility Authority, Board of Investments, Montana Science and Technology Alliance, and the Office of Research & Information Services. The local government assistance programs include the Local Government Assistance Division, Community Technical Assistance Program, Community Development Block Grant Program, Hard Rock Mining Board, Coal Board, Local Government Audit Program, Local Government Systems Program and District Court Reimbursement

Program, Transportation Division, and Aeronautics Division. The public safety area includes programs responsible for activities related to public safety. Programs include Professional and Occupational Licensing, Milk Control, Weights and Measures, Building Codes, Financial Institutions Division, and the Board of Horse Racing. Assistance to individuals is provided through the Board of Housing, Consumer Affairs Unit, and Section 8 housing programs. The Montana Lottery and the Coordinator of Indian Affairs programs are also in the department.

Current Level Budget

The current level budget for the 1993 biennium increases 2.9 percent over the 1991 biennium. Increased personal services costs and grants are offset by decreased operating expenses. Personal services increase primarily because of a vacancy savings of \$1.1 million experienced in fiscal 1990. A 7.0 FTE reduction lowers personal services cost in the 1993 biennium by approximately \$161,351.

Operating costs decrease 26.9 percent primarily in the Lottery program because the actual expenditures in fiscal 1990

DEPARTMENT OF COMMERCE

included almost \$7.7 million of costs associated with the participation in Lotto America which were added to fiscal 1990. Since these funds are statutorily appropriated, they are not included in the LFA current level. Similarly, operating expenses of \$860,675 in the Promotions program were added in fiscal 1990 by statutory appropriation and are not included in the current level.

Grants increase 26.8 percent from the 1991 biennium. Fiscal 1992 includes a biennial appropriation for the rail construction loan grant in the Transportation program. Community Development Block Grant increases \$600,000 per year in the Business Development program. Housing assistance

grants increase \$7 million during the 1993 biennium. In fiscal 1990, \$1 million in coal tax funds was transferred from the Coal Board to the Department of Highways for construction of Highway 314 between Decker and Busby.

Federal funding increases 29.2 percent due to the increased housing assistance grants. The 26.9 percent decrease in the proprietary fund reflects fund expenditures for the Lotto America program in fiscal 1990.

The following table summarizes the budget modifications included in the Executive Budget. Additional information on each request is included in the program narratives.

Executive Budget Modifications

1993 Biennium

<u>Budget Modifications</u>	<u>FTE FY92</u>	<u>FTE FY93</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
1. Equipment Replacement Pgm.			\$ 83,739	\$	83,739
2. Bank Analysis Computers				\$ 32,223	32,223
3. Impairment Program-Dentists				50,000	50,000
4. P.O.L. Building Rent				75,130	75,130
5. Business Development Division				70,000	70,000
6. Defense Log. Agy. Contract	4.0	4.0		328,533	328,533
7. EDA/CDBG Revolving Loan	1.0	1.0		340,905	340,905
8. Canadian Trade Office	1.0	1.0	29,557	110,000	139,557
9. Internat'l Affairs Coordinator	1.0	1.0	80,158	30,000	110,158
10. MT Promotion Division				2,386,262	2,386,262
11. Section 8 Grant Increase				2,000,780	2,000,780
12. Automation of Census	1.0	1.0	117,730		117,730
13. 1990 Census Fed. Fund Replace.			40,000		40,000
14. Loc. Gov't Peer Review				10,000	10,000
15. Vehicle Replacement				191,424	191,424
16. EEO Grant - Indian Affairs				106,000	106,000
17. Additional FTE BOI/HFA	1.0	1.0		45,069	45,069
18. Montana Lottery				6,742,565	6,742,565
19. Lottery Vehicles				55,500	55,500
20. West Yellowstone Airport Maint.				17,000	17,000
21. Local Rail Service Grant				500,000	500,000
Total	9.0	9.0	\$351,184	\$13,091,391	\$13,442,575

PUBLIC SAFETY DIVISION

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	1.00	1.00	1.00	1.00	.00
Personal Services	53,742	57,503	55,816	55,685	.23%
Operating Expenses	<u>7,978</u>	<u>102,296</u>	<u>8,338</u>	<u>8,345</u>	<u>-84.87%</u>
Total Program	\$61,720	\$159,799	\$64,154	\$64,030	-42.14%
<u>Fund Sources</u>					
State Revenue Fund	0	94,470	0	0	-100.00%
Proprietary Fund	<u>61,720</u>	<u>65,329</u>	<u>64,154</u>	<u>64,030</u>	<u>.89%</u>
Total Funds	\$61,720	\$159,799	\$64,154	\$64,030	-42.14%

Program Description

The Public Safety program provides for the administration, management, and coordination of activities of the Building Codes Bureau, Milk Control Bureau, Professional and Occupational Licensing Bureau, and Bureau of Weights and Measures. The Board of Passenger Tramway Safety, created by the 1989 legislature, is included in the Professional and Occupational Licensing program.

ation is not continued in the 1993 biennium. All other operating expenses were based on fiscal 1990 expenditures with some increases for inflation and the indirect cost assessment for the Director/Management Services program. No equipment was requested. This program is funded by a proprietary fund with the revenue coming from assessments to the Milk Control Board, Weights and Measures Bureau, Building Codes Bureau, and the Professional and Occupational Licensing Boards.

Current Level Budget

While the current level budget shows a 42 percent decrease from the 1991 biennium to the 1993 biennium, the fiscal 1992 and 1993 budget is slightly higher than the amount this program actually expended in fiscal 1990. As discussed below, the 1991 biennium appropriation included \$72,000 per year for contingent legal services for the professional and occupational licensing. Since the program spent only \$1,930 of this appropriation for legal services in fiscal 1990, this contingency appropri-

Issue

The 1989 legislature appropriated \$72,000 each fiscal years of the 1991 biennium to be used only for legal services needed by any of the components of the Professional and Occupational Licensing Bureau. During fiscal year 1990, the program transferred \$47,865 to the licensing boards, of which only \$1,930 was used for legal costs. An additional \$9,000 was transferred to the Milk Control Board to purchase a computer.

WEIGHTS & MEASURES BUREAU

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	12.00	12.00	11.00	11.00	-1.00
Personal Services	281,727	343,027	292,908	293,242	-6.18%
Operating Expenses	119,342	118,491	121,832	121,496	2.31%
Equipment	<u>8,500</u>	<u>18,000</u>	<u>23,000</u>	<u>0</u>	<u>-13.21%</u>
Total Program	\$409,569	\$479,518	\$437,740	\$414,738	-4.12%
<u>Fund Sources</u>					
General Fund	<u>409,569</u>	<u>479,518</u>	<u>437,740</u>	<u>414,738</u>	<u>-4.12%</u>
Total Funds	\$409,569	\$479,518	\$437,740	\$414,738	-4.12%

Program Description

The Weights and Measures program is responsible for licensing, testing, inspecting, and calibrating all weighing and measuring devices. In addition, the program is responsible for maintaining minimum specifications of all petroleum products, licensing all petroleum dealers in Montana, and enforcing laws and regulations relating to quantity of all prepackaged commodities.

equipment for field monitoring. Funding for the program is from the general fund. The fees collected by the program are deposited in the general fund. In fiscal 1990, these fees were approximately \$219,000.

Executive Budget Modification

Equipment Replacement

The department is requesting \$59,386 in fiscal 1992 and \$24,353 in fiscal 1993 from the general fund to purchase and/or replace automobiles and trucks, field monitoring equipment, and a computer to address concerns raised in its 1988 performance audit report. This legislative audit found that the program's level of activity in some areas was very limited, diminishing the protection provided to Montana consumers. The department is also requesting additional laboratory equipment. Through a rule change, the department plans to increase user fees charged by this program which are deposited into the general fund to raise revenue equal to the cost of these capital acquisitions.

Current Level Budget

The current level budget decreases 4.1 percent in the 1993 biennium due primarily to a reduction in personal services costs. Since the bureau chief position is currently vacant, the steps for the position were reduced from step 11 to step 2. In addition, the department deleted the assistant bureau chief position through reorganization. Operating expenses were based on the actual expenses incurred in fiscal 1990 with increases for inflation, fixed costs, and contracted rent for office space. The equipment budget, which reflects the program's request, includes

FINANCIAL DIVISION

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	20.00	20.00	20.00	20.00	.00
Personal Services	524,014	613,216	617,881	616,908	8.58%
Operating Expenses	191,025	224,215	213,449	213,937	2.93%
Equipment	28,994	0	0	0	-100.00%
Total Program	\$744,033	\$837,431	\$831,330	\$830,845	5.10%
<u>Fund Sources</u>					
State Revenue Fund	744,033	837,431	831,330	830,845	5.10%
Total Funds	\$744,033	\$837,431	\$831,330	\$830,845	5.10%

Program Description

The Financial Institution program is responsible for chartering and supervising the safety and soundness of state chartered banks and trust companies, savings and loan associations, and credit unions. It is responsible for licensing and supervising consumer loan companies, sales finance companies, and escrow companies. The program also examines the operations of certified capital companies, development corporations, certain loans of the Montana Board of Investments, and monitors prearranged funeral plans where funds are on deposit in Montana banks, savings and loans, or credit unions. The State Banking Board, which is responsible for making final determinations on applications for certificates of authorization for new banks, branch banks, mergers, consolidations, and relocations of banks and advising the director of the Department of Commerce on matters relating to banking, is administratively attached to this program.

Current Level Budget

The 1993 biennium budget is 5.1 percent higher than the 1991 biennium, due mainly to increased personal services. The agency experienced significant vacancy savings in fiscal 1990. During the first half of the fiscal year the

administrator (grade 18, step 13) position was vacant for approximately two months, then it was filled at step 5. In addition, a 1.0 FTE bank examiner position and a 0.5 FTE consumer loan examiner position were both vacant for the entire fiscal year. These positions are now filled. Operating expenses for the 1993 biennium were based on fiscal 1990 actual expenditures with increases for inflation, fixed costs, and contract rent. In addition, travel was increased by \$16,000 each year because fiscal 1990 was low in comparison to previous years due to the vacant positions. Indirect costs which provide the funding for the Directors/Management Services program were increased to reflect the agency's request. No equipment was requested for the program. The program is funded by assessments paid by state regulated financial institutions.

Executive Budget Modification

Bank Analysis Computers

Increased state special revenue account funding of \$27,773 for fiscal 1992 and \$4,450 for fiscal 1993 is requested to purchase the necessary computer equipment and software to use modern examination report formats. This equipment would allow bank examiners to remain current with recent technical developments in the banking industry, which have significantly altered regulatory theories and practices.

MILK CONTROL BUREAU

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	7.00	7.00	7.00	7.00	.00
Personal Services	182,978	190,633	193,248	193,329	3.47%
Operating Expenses	94,196	96,515	104,974	105,099	10.15%
Equipment	<u>10,293</u>	<u>300</u>	<u>300</u>	<u>300</u>	<u>-94.34%</u>
Total Program	\$287,467	\$287,448	\$298,522	\$298,728	3.88%
<u>Fund Sources</u>					
State Revenue Fund	<u>287,467</u>	<u>287,448</u>	<u>298,522</u>	<u>298,728</u>	<u>3.88%</u>
Total Funds	\$287,467	\$287,448	\$298,522	\$298,728	3.88%

Program Description

The Milk Control program is responsible for supervising, regulating, and controlling the milk industry of the state. All matters pertaining to production, processing, storage, distribution, and sale of milk are investigated. The program ensures compliance with state laws through minimum pricing, fair trade rules, extension of credit, and by enforcing financing prohibitions of the law. The program encourages efficient production and orderly marketing of milk and cream products to guarantee an adequate supply of healthful milk to the consuming public at the least possible cost.

both personal service and operating expenses. Personal services costs are higher because the fiscal 1991 pay plan increases continue into the 1993 biennium. The program experienced almost no vacancy savings in fiscal 1990.

Operating expenses, which were based on fiscal 1990 expenditures, increase approximately 10 percent due primarily to an additional \$12,000 assessment to the board for administrative costs from the Public Safety Division. This increase is offset by minor decreases in audit costs, office rent, and insurance costs. Equipment is budgeted at the agency's request. While the program was budgeted for \$300 in equipment in fiscal 1990, it spent \$10,293, using \$9,000 of authority transferred from the legal contingency appropriation in the Public Safety program. Funding is provided for the program by assessments on Montana's milk products.

Current Level Budget

The 1993 biennium current level budget is 3.9 percent higher than the 1991 biennium as a result of increases in

PROFESSIONAL AND OCCUPATIONAL LICENSING BUREAU

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	31.93	31.93	31.93	31.93	.00
Personal Services	817,669	1,005,744	960,524	959,562	5.30%
Operating Expenses	1,577,085	1,638,515	1,757,198	1,750,339	9.08%
Equipment	<u>7,151</u>	<u>6,335</u>	<u>6,335</u>	<u>6,335</u>	<u>-6.05%</u>
Total Program	\$2,401,905	\$2,650,594	\$2,724,057	\$2,716,236	7.68%
<u>Fund Sources</u>					
State Revenue Fund	1,696,470	1,870,457	1,916,504	1,909,448	7.26%
Proprietary Fund	<u>705,435</u>	<u>780,137</u>	<u>807,553</u>	<u>806,788</u>	<u>8.67%</u>
Total Funds	\$2,401,905	\$2,650,594	\$2,724,057	\$2,716,236	7.68%

Program Description

The Professional and Occupational Licensing (POL) program provides the administrative and clerical services required by the 30 licensing and regulatory boards authorized by statute. Services provided include correspondence, application processing, issuing and renewing licenses, administering and grading examinations, taking minutes of board meetings and hearings, and providing legal staff and investigators to investigate legal infractions. The Board of Passenger Tramways was moved to this program from the Public Safety program.

Current Level Budget

The current level budget increases 7.7 percent due to increases in personal services and operating expenses. In fiscal 1990, the program had a 13.8 percent (\$131,400) vacancy savings because the program experienced turnover in 40 percent of positions. Fully funding all authorized positions and continuing the fiscal 1991 pay plan increase in the 1993 biennium makes personal services costs over \$140,000 higher than fiscal 1990 actual expenditures. The fiscal 1991 personal services appropriation includes approximately \$47,000 more than what is needed to fund existing positions.

Operating costs increase over fiscal 1990 levels as a result of several factors: 1) inflationary adjustments add approximately \$20,000 per year; 2) rent increases \$35,146 annually because the program was moved from the state-owned Commerce building into leased office space downtown at higher cost (which includes employee parking); 3) budgets for the newly-established Board of Tramways and the Board of Outfitters were included at the agency's requested levels in anticipation of full operation during the 1993 biennium; and 4) indirect costs (\$17,609) and recharges (\$107,456) are increased by approximately \$125,065 per fiscal year over fiscal 1990. The equipment budget includes funds to purchase four computer terminals and some replacement office equipment.

The program receives its funding from the licensing revenues generated by each of the boards. The Administrative Services program of the bureau is funded from a proprietary fund which receives its funding from assessments (recharges) to each of the boards.

Issues

Rent Increase

At the beginning of fiscal 1991, POL was moved from the state-owned Commerce building to a privately-owned building in downtown Helena. The rent costs increased for the program by \$35,146

PROFESSIONAL AND OCCUPATIONAL LICENSING BUREAU

annually, which includes an estimated \$8,000 to provide employee parking. This office space, which was under contract to the Department of Administration, had been occupied by Workers' Compensation Division staff. The Department of Administration paid for POL's move. The Workers' Compensation State Fund is paying the difference in POL's rent for fiscal 1991 because POL did not have sufficient budget to cover the increased rent cost. Since POL has moved to the building and the contract for rent has been signed, the LFA current level budget includes the increased rental costs. However the Executive Budget includes the increased costs as a budget modification.

Salary of the Bureau Chief Position

Supervision of this program has changed. Several years ago, the bureau chief position was deleted. In the department's recent reorganization, a POL bureau chief was appointed. Because the bureau chief position no longer existed, the newly-appointed chief, who is a grade 18, step 11 employee, was moved into a vacant grade 15, step 7 position. The annual difference in the two salary levels is approximately \$16,000 (including benefits). The current level funds includes this position at the grade 15 level. In December the department was verbally notified by the Personnel Division that the position will be reclassified as a grade 18.

Recharges Cost Increase to the Boards

The POL program has an Administrative Services program which provides the administration and support services for the boards. This Administrative Services program operates from a proprietary fund, which receives its revenues from assessments to the boards. As a result, these funds are counted twice in the POL budget--once when they are transferred from the boards to the Administrative Services program and again when that program expends the funds.

In the Executive Budget, these recharges increase \$134,356 from fiscal 1990 actual to fiscal 1992. The increases are for: 1) additional rent of \$35,146; 2) Department of Administration's proposed fees for the new network system of \$10,950; 3) indirect cost increases \$17,608; 4) increased salary of the bureau chief position (\$16,000); 5) transfer of two 0.5 positions from the Board of Real Estate to Administrative Services at \$26,000; and 6) the continuation of the pay plan increase for fiscal 1991 in the 1993 biennium. The LFA current level budget does not include the increase for the data processing network costs since this is a budget modification issue addressed in the Department of Administration's budget or the increased salary for the bureau chief position.

Executive Budget Modifications

Impairment Program - Dentists

The Executive Budget includes \$50,000 for the biennium funded from the Board of Dentists state special revenue account to allow continued participation in the Board of Medical Examiner's Physicians' Assistance program. In 1989, the Board of Dentistry began participating in this program, which provides rehabilitative services to dentists with substance abuse problems. Spending authority for the Board of Dentistry's participation in the program during the 1991 biennium was transferred from the Board of Medical Examiners.

POL Building Rent

The Executive Budget includes \$75,130 for the biennium funded from the proprietary account for increased office rent. As discussed above, the POL program offices were moved July 1990 from a state-owned building to a privately-owned building at a higher rental cost. The department states that the previously occupied space was not suitable for the program's high walk-in traffic, board meetings, and license testing.

AERONAUTICS DIVISION

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	11.99	11.99	11.99	11.99	.00
Personal Services	320,861	372,046	377,836	378,851	9.20%
Operating Expenses	265,476	350,326	326,387	325,504	5.86%
Equipment	8,912	15,000	18,000	18,000	50.55%
Grants	8,000	15,000	10,000	10,000	-13.04%
Transfers	11,340	10,000	10,000	10,000	-6.28%
Total Program	\$614,589	\$762,372	\$742,223	\$742,355	7.82%
<u>Fund Sources</u>					
State Revenue Fund	562,959	633,613	604,189	604,383	1.00%
Federal Revenue Fund	0	75,000	75,000	75,000	100.00%
Proprietary Fund	51,630	53,759	63,034	62,972	19.56%
Total Funds	\$614,589	\$762,372	\$742,223	\$742,355	7.82%

Program Description

The Aeronautics program is responsible for providing protection and safety in aeronautics. The program consists of five general areas. The Aeronautics Board, allocated to the department for administrative purposes, advises on matters pertaining to aeronautics. The Division Administration is responsible for the overall operation of the program and its sub-programs, including the operation of the air carrier airport at West Yellowstone. The Airport/Airways Bureau provides technical assistance to communities for planning, construction, maintenance, and other airport development projects, and conducts annual airport safety inspections. It administers a grant program which provides engineering grants to airport owners planning construction and/or improvement projects; operates and maintains 13 state-owned airports; operates a program for resale of airport supplies; and maintains and up-dates the Montana Aviation System Plan. The Safety and Education Bureau organizes and maintains a statewide aerial search and rescue organization. It enforces state laws on pilot and aircraft registration. Staff plan and organize various educational seminars and clinics for pilots, flight instructors, search volunteers, and mechanics. The bureau also monitors construction of towers and

other obstructions to air navigation, inspects and identifies hazards, and makes marking and lighting recommendations. The Yellowstone Airport in West Yellowstone is one of two airports designated by Congress to serve a national park. The division administrator and Airport/Airways Bureau provide the policy, budgeting, administrative, and project coordination for the airport.

The Executive Budget transfers this program to the proposed Department of Transportation.

Current Level Budget

The current level budget increases 7.8 percent in the 1993 biennium. The majority of this increase is in personal services, since the program experienced a 10 percent (\$37,000) vacancy savings during fiscal 1990 when five of the division's positions had turnover. Operating expenses increase 5.9 percent, mainly in contracted services which include \$75,000 of federal funds each year for emergency and construction needs for Montana's airports. While this amount was appropriated in each year of the 1991 biennium, no funds were received or expended in fiscal 1990. Equipment, which is budgeted at the agency's request, includes three satellite weather stations and an

AERONAUTICS DIVISION

electronic computerized navigational system. The grants are for engineering studies for small airports in Montana. Transfer authority of \$10,000 is provided to transfer taxes collected by Gallatin County (which are deposited into the state special revenue fund) to the West Yellowstone Airport's proprietary account.

Executive Budget Modification

West Yellowstone Airport Maintenance

The department requests \$17,000 for fiscal 1992 funded from the West Yellowstone Airport proprietary account to meet Federal Aviation Authority (FAA) requirements that the airport runway be restriped, a radio-controlled lighting system be established, and that the airport radio and monitoring equipment be updated. The FAA requires these repairs be made by the end of fiscal 1993.

TRANSPORTATION DIVISION

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	14.50	14.50	13.50	13.50	-1.00
Personal Services	405,221	510,187	466,962	466,246	1.94%
Operating Expenses	247,046	205,135	349,294	169,327	14.69%
Equipment	6,439	500	354	500	-87.69%
Grants	<u>1,315,458</u>	<u>704,684</u>	<u>2,504,684</u>	<u>704,684</u>	<u>58.87%</u>
Total Program	\$1,974,164	\$1,420,506	\$3,321,294	\$1,340,757	37.33%
<u>Fund Sources</u>					
General Fund	466,013	443,445	549,752	371,268	1.27%
State Revenue Fund	611,656	71,250	1,871,250	71,250	184.45%
Federal Revenue Fund	<u>896,495</u>	<u>905,811</u>	<u>900,292</u>	<u>898,239</u>	<u>-.21%</u>
Total Funds	\$1,974,164	\$1,420,506	\$3,321,294	\$1,340,757	37.33%

Program Description

The Transportation program provides: 1) technical assistance to local communities and transit authorities for planning, organizing, operating, and funding transportation systems; 2) administration of federal funds for capital, planning, and operating transit subsidies; 3) a yearly update of the State Rail Plan, and administration of federal and other funds for rail and related facility rehabilitation; 4) monetary assistance to communities through grants, loans, and rail bonding authority; and 5) representation of shippers and the state before the Interstate Commerce Commission and courts on rate issues, branchline abandonments, and service.

The Executive Budget transfers this program to the proposed Department of Transportation.

Current Level Budget

The Division's current level budget increases 37.3 percent between the two biennia. Personal services increase 1.9 percent even though a 1.0 FTE unit manager position was eliminated by the department for a budgeted cost reduction of approximately \$43,156. This FTE

reduction is offset by approximately \$89,000 vacancy savings achieved by the program in fiscal 1990 when a unit manager position was vacant the entire year and a transportation rate specialist position was vacant for ten months.

Operating expenses increase 14.7 percent, due almost entirely to the continuation of the McCarty Farms litigation. The current level budget contains a \$180,000 biennial appropriation in fiscal 1992 to fund the continued litigation. In fiscal 1990, \$61,403 was spent for this purpose. To date, approximately \$1 million in state funds has been spent on the litigation. The legislature has directed the department to seek reimbursement for all general fund expenditures for this purpose, plus interest at the rate of 10 percent.

Grants increase 58.9 percent. The fiscal 1992 grant budget includes the biennial amount for the Rail Construction Loan program. Other grants are federal urban mass transit grants.

The state special revenue funds are the Rail Construction Loan funds and \$71,250 each fiscal year from the highway gas tax account. The federal funds are urban mass transit funds.

TRANSPORTATION DIVISION

Executive Budget Modifications

Local Rail Service Assistance Grant

Increased federal fund authority of \$500,000 is requested as a biennial

appropriation to grant Local Rail Service Assistance funds received from the Federal Railroad Administration for use on various railroad construction and rehabilitation projects.

BUSINESS DEVELOPMENT DIVISION

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	15.00	15.00	16.00	16.00	1.00
Personal Services	509,020	504,818	544,283	544,396	7.38%
Operating Expenses	715,012	852,581	736,235	737,500	-5.99%
Equipment	21,805	1,250	1,250	1,250	-89.16%
Grants	<u>1,303,768</u>	<u>0</u>	<u>1,955,650</u>	<u>1,955,650</u>	<u>200.00%</u>
Total Program	\$2,549,605	\$1,358,649	\$3,237,418	\$3,238,796	65.71%
<u>Fund Sources</u>					
General Fund	677,881	726,827	618,579	619,957	-11.83%
State Revenue Fund	324,308	348,333	348,333	348,333	3.57%
Federal Revenue Fund	<u>1,547,416</u>	<u>283,489</u>	<u>2,270,506</u>	<u>2,270,506</u>	<u>148.02%</u>
Total Funds	\$2,549,605	\$1,358,649	\$3,237,418	\$3,238,796	65.71%

Program Description

The Business Development program provides the direct technical assistance component of the state's economic development programs. The program's Small Business Development Center program has offices in Glendive, Bozeman, Kalispell, and Helena to provide direct assistance to small businesses in finance, marketing, export, and data systems. The Helena office includes the Business Licensing Center and provides coordination for the Montana Ambassadors program. The operation and funding of the portion of Community Development Block Grant (CDBG) program for economic development was moved to this program in fiscal 1989 from Local Government Services - Community Development program. The Business Location program provides general and detailed research assistance to firms considering expansion in or relocation to Montana and seeks to attract firms in targeted industries to consider Montana locations. The Pacific Rim program helps Montana businesses compete successfully in Asian markets.

adjusted for this discrepancy, there is a 24.8 percent increase in this program's 1993 biennium current level budget compared to fiscal 1990.

Personal services increase 7.4 percent from the 1991 biennium primarily because a unit manager position (approximately \$30,000) was transferred to this program from the Community Development program. This transfer occurred in fiscal 1990, causing higher personal services costs in fiscal 1990 than the appropriated amount in fiscal 1991. The difference between fiscal 1990 and fiscal 1992 personal services is due to vacancy savings experienced in fiscal 1990 and the fiscal 1991 pay plan increases.

Operating expenses for the 1993 biennium are based on fiscal 1990 actual expenditures, adjusted for inflation and the fixed costs. Requested increases in long distance calls and books are included. The 6 percent decrease results from the higher fiscal 1991 budgeted figure. The equipment, which is at the agency requested level, includes funds for the purchase of software.

Current Level Budget

Due to accounting procedures, \$1.3 million of continuing grants are not reflected in fiscal 1991 totals in the table above. When the tables are

Grant expenditures in fiscal 1990 are a result of transferring the Economic Development portion of the Community Development Block Grant to this program. While this transfer was also made in fiscal 1991, it is not reflected in the table due to accounting procedures. The

BUSINESS DEVELOPMENT DIVISION

grant is increased to \$1.9 million per year of the 1993 biennium to reflect anticipated receipts. These grants are all federal funds which pass through to local governments.

Funding for the program is provided by several sources. The Business Assistance program and Pacific Rim both receive some private funding. The program receives federal Small Business Development funds, which must be matched equally with state funds. The division also receives federal Community Development Block Grant funds, which funds grants at 100 percent and grant administration at a 75 percent federal with a 25 percent state match. The Pacific Rim program is partially funded by Growth in Agriculture funds because of its work in promoting Montana's agricultural products.

Executive Budget Modifications

Business Development Division

The Executive Budget includes \$70,000 for the biennium funded from state special revenue to expend income received from trade shows, training fees, sale of documents, private contributions, and fees for services. The funds will be used to produce the annual updated manufactures guide and a Montana products directory.

Defense Logistics Agency Contract

The department requests \$328,533 in federal funds and 4.0 FTE for the biennium to continue the Procurement Technical Assistance program for small businesses. This program provides training in marketing, bidding procedures, quality control, payment procedures, and other technical aspects of contracting with the federal govern-

ment. In fiscal 1990 and 1991, the department received a federal grant and subsequently a budget amendment to implement and operate this program. The department expects to receive continued federal funds for this program in the next biennium.

EDA/CDBG Revolving Loan

This budget modification includes \$340,905 and 1.0 FTE for the biennium funded from the EDA/CDBG Revolving Loan Fund Account to establish a revolving loan fund. The funds will be loaned to Montana businesses to create jobs. The department is requesting spending authority for loan repayments received on \$840,000 granted by the Economic Development Administration (EDA) and \$300,000 in CDBG funds. The department received spending authority through a budget amendment in August 1990 for the \$840,000 EDA grant, which was matched with \$300,000 in CDBG funds to create a \$1,140,000 loan fund. The department has initially granted these funds to Beaverhead County and wants to use the loan repayments to set up a revolving loan fund to assist other businesses and communities.

International Affairs Coordinator

The department requests \$110,158 from the general fund and accommodation tax revenue to hire an international affairs coordinator to support international projects and provide assistance in areas such as protocol and cultural exchanges.

Canadian Trade Office

The department requests \$139,557 and 1.0 FTE from the general fund and state special revenue to establish a Canadian trade office and develop opportunities to market products in Canada.

MONTANA PROMOTION DIVISION

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	16.33	16.33	16.33	16.33	.00
Personal Services	382,592	465,172	448,775	448,050	5.79%
Operating Expenses	3,405,526	3,136,544	2,568,416	2,574,883	-21.38%
Equipment	17,266	1,000	1,000	1,000	-89.05%
Local Assistance	<u>1,356,087</u>	<u>1,118,676</u>	<u>1,250,098</u>	<u>1,250,098</u>	<u>1.03%</u>
Total Program	\$5,161,471	\$4,721,392	\$4,268,289	\$4,274,031	-13.57%
<u>Fund Sources</u>					
State Revenue Fund	<u>5,161,471</u>	<u>4,721,392</u>	<u>4,268,289</u>	<u>4,274,031</u>	<u>-13.57%</u>
Total Funds	\$5,161,471	\$4,721,392	\$4,268,289	\$4,274,031	-13.57%

Program Description

The Montana Promotion program is responsible for generating revenues for Montana by increasing the number and expenditures of nonresident visitors and increasing expenditures by nonresident production companies (motion picture and television commercials) in the state. The program works to project a positive image of the state through consumer advertising, publicity, international and domestic group travel marketing, printing and distribution of literature, and marketing to motion picture and television companies. In addition, the program provides training and assistance

to the Montana tourism industry and oversees budget expenditures by the various non-profit corporations funded by the Montana accommodations tax.

Current Level Budget

Actual fiscal 1990 expenditures shown above include \$966,664 expended from a statutory appropriation. This statutory appropriation is not shown in the 1993 biennium program costs since statutory appropriations are not included in the general appropriations bill. Table 1 details the expenditures from this statutory appropriation.

Table 1
Montana Promotions
Expenditures from General Appropriated Funds

<u>Category</u>	<u>Fiscal 1990</u>	<u>Statutory Appropriation</u>	<u>Appropriated Funds</u>
Personal Services	\$ 382,592	\$ 0	\$ 382,592
Operating Expenses	3,405,526	860,675	2,544,851
Equipment	17,266	0	17,266
Local Assistance	<u>1,356,087</u>	<u>105,989</u>	<u>1,250,098</u>
Totals	\$5,161,471	\$966,664	\$4,194,807

The statutory appropriation is discussed in the "Issues" section. When these statutorily appropriated expenditures

are removed from the fiscal 1990 base, current level budgets in the 1993

MONTANA PROMOTION DIVISION

biennium average 1.8 percent higher than fiscal 1990 actual expenditures.

Personal services increase 5.8 percent primarily because of a 14.6 percent (\$66,651) vacancy savings experienced in fiscal 1990 when two positions were vacant for approximately six months and two positions were filled at lower salaries. Operating expenses increase on average 1.1 percent above the fiscal 1990 levels due to inflationary adjustments. Local assistance includes the transfers of accommodations tax revenue to local and regional tourism promotion groups. Fiscal 1992 and fiscal 1993 budgeted figures were based on fiscal 1990 actual expenditures reduced by \$105,989 expenditures from the statutory appropriation. Funding for the program comes from private donations and the accommodations tax revenues.

Issue

Statutory Appropriation for Operating Expenditures

During fiscal 1990, the department increased the spending authority for the Montana Promotions program by \$966,664 by statutory appropriations under the authority of Section 15-65-121, MCA. Expenditures from these appropriated funds are shown in Table 1. This table shows that the program spent \$860,675 of this appropriation for operating expenses. While Section 15-65-121, MCA, states that the accommodations tax proceeds are statutorily appropriated to the Department of Commerce, the law (Section 17-7-502, MCA) that specifically lists all statutory appropriations does not include this section.

The 1989 legislature passed House Bill 583, which eliminated statutory appropriations for expenses of administering or operating several state programs on the theory that normal state agency operating expense should be subject to legislative review and appropriation.

The 1991 legislature may want to clarify whether accommodation tax used for operating expenses are in fact statutorily appropriated or whether they are subject to legislative review and appropriation.

Executive Budget Modification

Montana Promotion Division

The department is requesting authority to spend an additional \$2,386,262 for the biennium of accommodation tax revenue. Under current law, 92.64 percent of the collections from this tax is statutorily appropriated to a state special revenue account to the credit of the Department of Commerce, 0.96 percent of collections to the Montana Historical Society, 4 percent to the Department of Revenue, and 2.4 percent to the university system. The Department of Commerce uses these funds for tourism and site location promotion and distributions to local groups for tourism promotion. Due to anticipated increases in accommodation tax revenues, this program is requesting increased spending authority. Since it is unclear whether the accommodation tax funds received by the department are statutorily appropriated, the department is seeking legislative appropriation to spend the funds.

COMMUNITY DEVELOPMENT BUREAU

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	20.00	20.00	19.00	19.00	-1.00
Personal Services	506,007	624,611	586,663	586,679	3.78%
Operating Expenses	339,662	380,975	394,795	395,405	9.65%
Equipment	17,234	450	5,062	5,156	-42.22%
Grants	15,590,550	20,067,193	22,172,365	22,180,729	24.39%
Transfers	<u>1,032,929</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-100.00%</u>
Total Program	\$17,486,382	\$21,073,229	\$23,158,885	\$23,167,969	20.14%
Fund Sources					
General Fund	183,562	223,866	220,592	223,012	8.88%
State Revenue Fund	2,663,611	3,058,590	2,844,151	2,842,918	-.61%
Federal Revenue Fund	<u>14,639,209</u>	<u>17,790,773</u>	<u>20,094,142</u>	<u>20,102,039</u>	<u>23.95%</u>
Total Funds	\$17,486,382	\$21,073,229	\$23,158,885	\$23,167,969	20.14%

Program Description

The Local Government Assistance - Community Development program provides assistance to local governments, private developers, and the public in public works planning and financing; land use, development, and financing; low income rent assistance; coal and hard rock mining impact mitigation; and general local government research and development. The program includes the following boards and programs. The Coal Board provides grants to local governments where adverse impacts have occurred as a result of large-scale coal development. The program is directed by a board appointed by the Governor. The Hard-Rock Mining Impact Board assists mineral developers and local governments in preparing and implementing impact plans for new, large-scale hard-rock mining developments. This board, which is also appointed by the Governor, arbitrates disputes, makes determinations on impact plan waivers, and generally implements the Hard Rock Mining Impact Act. The Housing Assistance program, a separate program during the 1991 biennium, provides financial assistance for rental housing to the needy. It provides financial assistance and guarantees to rental housing developers to improve the housing stock available to needy Montanans. The Community Technical

Assistance program provides technical assistance to local developers, local officials, and others on capital improvement planning and budgeting, land use and zoning regulation, and financing public works projects, in addition to researching special local policy issues and distributing the county land planning funds. The CDEB program receives, awards, and administers federal Housing and Urban Development funds to assist local governments with public facility and housing needs to benefit low to moderate income people.

Current Level Budget

The 1993 biennium budget increases 20.1 percent from the 1991 biennium, primarily due to increased grants. Personal services increase 3.8 percent even though 1.0 FTE program officer (\$28,500) was transferred from this program to the Business Development program. The program experienced significant vacancy savings during fiscal 1990. A planning manager position was vacant 11 months (saving \$38,741) and a program specialist position was vacant the entire fiscal year (saving \$23,263). These positions have now been filled.

Operating expenses increase 9.6 percent or approximately \$55,000 per fiscal year in the 1993 biennium compared to fiscal

COMMUNITY DEVELOPMENT BUREAU

1990 due to: 1) \$25,000 was added in contract services in the Housing Assistance program in response to the Department of Housing and Urban Development's (HUD) requirement that 5 percent of housing inspections be audited; 2) annual audit costs are \$8,013 over fiscal 1990; 3) printing costs increase approximately \$9,100 per fiscal year because fiscal 1990 had unusually low printing costs compared to previous years; 4) indirect cost and recharges (which are budgeted at the agency's requested level) increase \$13,400 per year; and 5) inflationary adjustments add \$4,300 per fiscal year in the 1993 biennium.

Two programs are expected to have higher levels of grant funds in the 1993 biennium. The Housing Assistance program grants increase approximately \$5.2 million each year of the 1993 biennium, based on fiscal 1991 federal authorizations. Grants in the Community Development Block Grant program increase \$139,300 each year based on information from HUD. Transfers in fiscal 1990 include the coal severance tax funds appropriated for improvements to Highway 314 between Decker and Busby. The Coal Board grants assume expenditures of 100 percent of the statutory coal severance

tax allocation less administration costs.

Besides general fund which provides 100 percent of the funding for the Community Assistance unit, program funding comes from five other sources. The Coal Board is funded by an allocation from the coal tax. The Hard Rock Mining Board receives its revenue from a portion of the metalliferous mines' license tax. Housing Assistance receives its funding from federal Section 8 Housing funds. The Community Development Block Grant program receives federal block grant funds, which require general fund match for grant administration. In addition, this program administers the County Land Planning program which is funded from coal tax revenues.

Executive Budget Modification

Section 8 Grant Increase

The department requests \$2,000,780 in federal fund authority for the biennium. The department has requested a federal grant for an increase of 125 rental units for the Certificates Program and an increase of 75 rental units for the Vouchers Program from HUD. If the application is denied, the department will withdraw this request for funding.

OFFICE OF RESEARCH & INFORMATION SERVICES

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	6.83	7.33	6.83	6.83	- .50
Personal Services	155,737	225,021	198,642	198,313	4.25%
Operating Expenses	43,090	61,823	77,271	76,154	46.24%
Equipment	<u>3,200</u>	<u>14,000</u>	<u>9,752</u>	<u>0</u>	<u>-43.30%</u>
Total Program	\$202,027	\$300,844	\$285,665	\$274,467	11.39%
<u>Fund Sources</u>					
General Fund	<u>202,027</u>	<u>300,844</u>	<u>285,665</u>	<u>274,467</u>	<u>11.39%</u>
Total Funds	\$202,027	\$300,844	\$285,665	\$274,467	11.39%

Program Description

The Office of Research and Information Services program provides a central and accessible information source for the department and Montana's economic community. It monitors and analyzes the Montana economy; conducts specific economic analysis projects; distributes economic, demographic, and business information through the Census and Economic Information Center; maintains and presents information on the department's economic development programs; and supports the department's research, informational, business development, and promotional activities.

transferred to this program from the Director's Office.

The other operating expenses are based on fiscal 1990 actual expenditures with the exception of indirect costs, books, and subscriptions, which are included at the slightly higher level requested by the agency. The indirect costs--the costs assessed programs for the funding of the Director's/Management Services program--increase \$6,900. The equipment budget includes funds to purchase a multi-user computer and terminals.

Executive Budget Modifications

Automation of Census Data

The department requests \$117,730 and 1.0 FTE for the biennium funded from the general fund to make census information more readily available to Montana users. The U.S. Bureau of Census (BOC) issues data to states in the form of magnetic computer tapes. Only 20 percent of the data on these tapes is contained in written documents prepared and distributed by the BOC. The program processes the data received from BOC, prepares it in the required format (i.e., census maps), and distributes it to users.

1990 Census Federal Fund Replacement

Increased general funds of \$40,000 for the biennium are requested to replace lost federal funds. The department states it was underfunded during the

Current Level Budget

The current level budget increases 11.4 percent from the 1991 biennium to the 1993 biennium. Vacancy savings of approximately \$51,000 or 24.4 percent in fiscal 1990 is the major factor for this increase. The state economist position, which was vacant the entire fiscal year, generated \$32,000 of this vacancy savings. The department has eliminated this position and requests \$25,000 per year to contract for economic analysis. The current level budget reflects the elimination of this position and the addition of the contracted services, which accounts for the 46.2 percent increase in operating expenses. There is a net 0.5 FTE reduction, since a 0.5 FTE administrative officer position was

OFFICE OF RESEARCH & INFORMATION SERVICES

1991 biennium. Program transfers were needed to alleviate the funding shortfall during fiscal 1990, and the department anticipates that additional program transfers may be necessary during fiscal 1991. The department

states that this program's financial problems are compounded by increased work due to the 1990 census and by Montana's participation in the Business and Industry Data Center project.

LOCAL GOVERNMENT SERVICES-AUDIT

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	28.20	28.20	28.75	28.75	.55
Personal Services	717,293	843,301	855,756	854,976	9.62%
Operating Expenses	252,567	256,228	251,277	251,619	-1.16%
Equipment	9,340	16,828	3,893	4,105	-69.44%
Transfers	<u>51,210</u>	<u>0</u>	<u>85,472</u>	<u>85,393</u>	<u>233.66%</u>
Total Program	\$1,030,410	\$1,116,357	\$1,196,398	\$1,196,093	11.45%
<u>Fund Sources</u>					
General Fund	51,210	56,440	85,472	85,393	58.72%
Proprietary Fund	<u>979,200</u>	<u>1,059,917</u>	<u>1,110,926</u>	<u>1,110,700</u>	<u>8.95%</u>
Total Funds	\$1,030,410	\$1,116,357	\$1,196,398	\$1,196,093	11.45%

Program Description

The Local Government Services - Audit program provides for the financial and compliance post auditing of the financial statements of local taxing jurisdictions in Montana, as required by law. These audits are conducted by staff and through contracts with private accounting firms. The program also performs special audits in cases of suspected fraud or misappropriation of funds. This program sets audit program standards and provides technical assistance to local, state and federal governments as well as private individuals. The audit function is designed to protect the taxpayers' interests by verifying that the financial conditions and operations are responsibly accounted and reported for and that local officials are complying with appropriate statutes and regulations.

Current Level Budget

The current level budget increases 11.5 percent from the 1991 biennium to the 1993 biennium primarily in personal services costs. In fiscal 1990, the program experienced a 12 percent (\$97,400) vacancy savings. In addition, the 1993 biennium personal services include a 0.55 FTE increase resulting from three FTE changes: 1) the administrator's position was reduced

from 0.7 FTE to 0.5 FTE because the incumbent also supervises the Local Government Systems program, and one-half of his salary is charged to that program; 2) a 0.5 FTE accounting position was transferred from the Local Government Systems program to the Audit program; and 3) a word processor position was increased by a 0.25 FTE. Operating costs are based on fiscal 1990 actual expenditures. The 1.2 percent decrease is due to: 1) audit costs for each year of the 1993 biennium are \$2,900 less than 1990 actual; 2) indirect costs increase \$7,350 in each of the fiscal years in the 1993 biennium; 3) rent decreases \$3,850 per fiscal year as a result of the program moving into the Commerce office building; 5) utilities costs of \$2,700 in fiscal 1990 are dropped from the budget because of the move; and 6) budgeted fiscal 1991 operating costs are \$4,950 more than annual budgeted costs in the 1993 biennium. The equipment budget will allow the program to purchase one portable computer and nine calculators.

The transfer authority is requested because Generally Accepted Accounting Principles (GAAP) require that any general fund in a program with a proprietary fund operation be transferred to and spent from the proprietary fund. This transfer authority was not appropriated in the 1991 biennium so the program was given an administrative appropriation for this

LOCAL GOVERNMENT SERVICES-AUDIT

transfer in fiscal 1990. The funding for this program is from two sources. Proprietary revenues come from the fees assessed local government for audit services. The general fund provides funding for the costs of the program which cannot be billed to local governments.

Executive Budget Modification

Local Government Services Peer Review

The department requests \$10,000 in fiscal 1992 funded from the program's

proprietary account to fund a peer review. Under auditing standards established by the Comptroller General, all organizations conducting government audits are required to have an external quality control review (peer review) at least once every three years beginning January 1, 1989. The costs would include travel by the review teams and an administrative fee of \$2,500. In addition, the department would be required to provide members of its staff to review other state audit organizations. This cost of this review would be incurred every three years.

LOCAL GOVERNMENT SERVICES-SYSTEMS

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	5.30	5.30	3.75	3.75	-1.55
Personal Services	127,720	181,356	141,878	141,547	-8.30%
Operating Expenses	101,721	139,952	95,604	95,663	-20.86%
Equipment	0	424	0	0	-100.00%
Grants	2,533,236	2,923,949	2,533,236	2,533,236	-7.16%
Transfers	88,340	0	31,276	31,015	-29.49%
Total Program	\$2,851,017	\$3,245,681	\$2,801,994	\$2,801,461	-8.09%
<u>Fund Sources</u>					
General Fund	2,686,410	2,916,638	2,621,090	2,620,818	-6.45%
State Revenue Fund	0	183,168	0	0	-100.00%
Proprietary Fund	164,607	145,875	180,904	180,643	16.45%
Total Funds	\$2,851,017	\$3,245,681	\$2,801,994	\$2,801,461	-8.09%

Program Description

The Local Government Services - Systems program develops, implements, and maintains the uniform budgetary, accounting, and reporting systems for Montana cities, towns, counties, school districts, and other special purpose taxing jurisdictions. It provides regular and special technical assistance on accounting and reporting standards to local financial personnel, coordinates technical and procedural advice and assistance between state agencies and local governments, and is the central state repository of annual budget documents and annual financial reports from counties, cities, and towns. The program also administers the District Court Reimbursement program, which assists counties in paying for on-going and extraordinary criminal case court costs.

Current Level Budget

The current level budget decreases 8.1 percent from the 1991 biennium to the 1993 biennium primarily because the County Land Planning program was transferred from this program to the Community Assistance program in fiscal 1990. Fiscal 1990 actual expenditures for County Land Planning program were

\$203,270 (and are budgeted at \$183,168 each fiscal year of the 1993 biennium).

The appropriation for this program is still reflected in the fiscal 1991 column. The state special revenue funding shows the fiscal 1991 budgeted cost in this program.

Personal services decrease 8.3 percent because there is a net 1.55 FTE decrease in the 1993 biennium: 1) the administrator's position, whose costs are evenly shared between this program and the Local Government Audit program, was increased by 0.2 FTE to 0.5 FTE; 2) a 0.75 FTE accounting position was transferred to the Audit program; and 3) a 1.0 FTE accounting position was deleted. The net cost reduction of these FTE changes was approximately \$40,200 per year.

Operating expenses for the 1993 biennium are based on fiscal 1990 expenditures except for the following: 1) supplies were reduced by \$1,880 for one-time expenditures; 2) rent was reduced by approximately \$3,600 because the program was moved to the Commerce building, where rent is less expensive in state-owned buildings; 3) utilities cost of \$1,184 were eliminated because of the move; and 4) indirect costs were increased \$819 to the agency request level. Grant expenditures reflect the

LOCAL GOVERNMENT SERVICES-SYSTEMS

district court reimbursement, which are continued at the fiscal 1990 level.

General fund is appropriated to the Local Government Systems to fund costs which cannot be charged to local government units. Since this program has a proprietary fund, it needs transfer authority to move the general

fund to the proprietary fund to comply with GAAP. The general fund also provides district court reimbursement payments. Language in House Bill 100 limits the district court reimbursement to the revenues deposited to the general fund from the district court fee on motor vehicles provided for in Section 61-3-509, MCA.

LOCAL GOVERNMENT ASSISTANCE-ADMINISTRATION

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	2.00	2.00	2.00	2.00	.00
Personal Services	90,883	93,742	94,420	94,798	2.49%
Operating Expenses	<u>10,441</u>	<u>10,323</u>	<u>10,788</u>	<u>10,798</u>	<u>3.96%</u>
Total Program	\$101,324	\$104,065	\$105,208	\$105,596	2.64%
<u>Fund Sources</u>					
Proprietary Fund	<u>101,324</u>	<u>104,065</u>	<u>105,208</u>	<u>105,596</u>	<u>2.64%</u>
Total Funds	<u>\$101,324</u>	<u>\$104,065</u>	<u>\$105,208</u>	<u>\$105,596</u>	<u>2.64%</u>

Program Description

The Local Government Services - Administration program provides professional and legal services to 12 service and financial assistance programs. This program supervises the functions of the Community and Housing Assistance Bureau (which includes the Coal Board and Hard-Rock Mining Board), and the Local Government Services Bureau (which includes the Audit, the Systems, and the District Court Reimbursement programs).

Current Level Budget

The 1993 biennium current level budget is 2.6 percent higher than the 1991 biennium. Personal services increase 2.5 percent, reflecting the fiscal 1991 pay plan increase. Operating expenses are based on fiscal 1990 actual expenditures, with the exception of the indirect cost assessment which is at the agency request level. No equipment was requested for the program. Funding comes from assessments to the Community Assistance and Local Government programs.

BUILDING CODES BUREAU

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	30.00	30.00	30.00	30.00	.00
Personal Services	818,685	915,353	888,865	888,364	2.49%
Operating Expenses	335,801	374,081	363,228	361,914	2.15%
Equipment	<u>8,225</u>	<u>930</u>	<u>930</u>	<u>930</u>	<u>-79.68%</u>
Total Program	\$1,162,711	\$1,290,364	\$1,253,023	\$1,251,208	2.09%
Fund Sources					
General Fund	34,197	34,724	30,881	30,836	-10.45%
State Revenue Fund	<u>1,128,514</u>	<u>1,255,640</u>	<u>1,222,142</u>	<u>1,220,372</u>	<u>2.45%</u>
Total Funds	\$1,162,711	\$1,290,364	\$1,253,023	\$1,251,208	2.09%

Program Description

The Building Codes program establishes and enforces minimum building, plumbing, mechanical, electrical, energy, and elevator codes. This enforcement safeguards the public, employees, and property in the design and construction of buildings, built-in-Montana recreational vehicles, and factory-built buildings manufactured or offered for sale in Montana. When possible, the program approves and certifies local government code enforcement programs to utilize codes adopted by the program. The program also has plumber, electrician, and public contractor licensing responsibilities. Administrative support, including enforcement duties, are provided to the Board of Plumbers and the State Electrical Board, both of which are administratively attached to the program. The Public Contractor's Licensing program is administered and enforced by the program.

Current Level Budget

The current level budget increases 2.1 percent from the 1991 biennium to the 1993 biennium, due mainly to personal services costs increases. The program experienced \$64,703 or 7.3 percent vacancy savings in fiscal 1990. This is offset somewhat because the fiscal 1991 appropriated level for personal services

exceeds the amount needed to fund the salaries of all positions in the program by \$32,000. The current level budget includes full funding for all the authorized positions.

Operating expenses for the 1993 biennium are based on fiscal 1990 actual expenditures, except for vehicle repairs which were increased by \$8,000 per fiscal year because of the large number of vehicles which have high mileage. The Executive Budget includes funding for 17 replacement vehicles. If this budget modification is approved, the \$8,000 increase per fiscal year for vehicle repairs can be eliminated. Indirect costs for the Directors/Management Services program and recharges for the Public Safety program are at the agency's request level, which is approximately \$12,000 more than fiscal 1990. Inflationary adjustments adds \$7,667 in fiscal 1992 and \$6,557 in fiscal 1993.

The general fund in this program supports the Public Contractors' Licensing program. Revenue from the public contractors licenses is deposited in the general fund. The state special revenue funding, which supports the remainder of the program, is derived from inspection fees, electrical licenses, and plumbers licenses revenues.

BUILDING CODES BUREAU

Executive Budget Modification

Vehicle Replacement

The department requests \$191,424 in fiscal 1992 funded from state special

revenue to replace 17 building code inspector vehicles which will have mileage in excess of 100,000 miles. These vehicles were purchased in 1989 and are on a 3-year replacement schedule.

INDIAN AFFAIRS COORDINATOR

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	2.00	2.00	2.00	2.00	.00
Personal Services	63,234	64,027	69,138	69,055	8.59%
Operating Expenses	27,345	31,544	29,171	29,256	-.79%
Total Program	\$90,579	\$95,571	\$98,309	\$98,311	5.62%
<u>Fund Sources</u>					
General Fund	90,579	95,571	98,309	98,311	5.62%
Total Funds	\$90,579	\$95,571	\$98,309	\$98,311	5.62%

Program Description

The Coordinator of Indian Affairs program, through the Indian Affairs Coordinator, serves as the Governor's liaison with the state's Indian tribes, provides information and policy support on issues confronting the Indians of Montana, and advises and makes recommendations to the legislative and executive branches on these issues. The coordinator also serves the Montana Congressional delegation as an advisor and intermediary in the field of Indian affairs, and acts as spokesman for representative Native American organizations and groups, both public and private, whenever that support is requested.

Current Level Budget

Personal services account for almost the entire 5.6 percent increase from the 1991 biennium to the 1993 biennium. The coordinator, who was being paid as a grade 18 step 4, resigned during fiscal 1990 and the replacement was hired as an exempt employee at an approximately \$4,000 higher salary. The current level budget includes a \$37,633 salary for this position. Recently, a new coordinator was hired for a slightly lower salary. Operating expenses are based on fiscal 1990 actual expenditures, except for printing costs

which were increased by approximately \$900 and indirect costs which are included at the agency's request level. No equipment was requested for the program.

Executive Budget Modifications

Equal Employment Opportunity Grant

The department requests \$106,000 in federal fund authority for the biennium to: 1) identify Native American firms involved in highway construction, or firms with the potential to participate in construction; 2) provide training and assistance to these firms in pre-qualification and certification procedures and refer names of certified firms to the Department of Highways (DOH); 3) provide on-going training and assistance to these firms in identifying and obtaining financial assistance which will enable them to compete in the highway construction industry; and 4) attempt to provide employment of Montana's Native American population. According to federal regulations, a percentage of all construction projects receiving federal assistance must be awarded to firms holding disadvantage business enterprise (DBE) status. The program received a \$60,000 federal grant for this purpose in fiscal 1990, with expenditure authorized through a budget amendment.

HEALTH FACILITIES AUTHORITY

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	3.00	3.00	1.00	1.00	-2.00
Personal Services	51,018	90,167	48,264	48,156	-31.71%
Operating Expenses	<u>62,440</u>	<u>53,715</u>	<u>57,631</u>	<u>57,554</u>	<u>-.84%</u>
Total Program	\$113,458	\$143,882	\$105,895	\$105,710	-17.77%
<u>Fund Sources</u>					
Proprietary Fund	<u>113,458</u>	<u>143,882</u>	<u>105,895</u>	<u>105,710</u>	<u>-17.77%</u>
Total Funds	\$113,458	\$143,882	\$105,895	\$105,710	-17.77%

Program Description

The Montana Health Facilities Authority program was established by the 1983 legislature to help eligible health care institutions access the tax-exempt interest market. The program issues tax-exempt bonds to finance health care facility projects at interest rates significantly below those which would be available at taxable rates. Two types of programs are operated by the authority: one to provide financing for individual facilities and the other to satisfy the capital needs of a pool of facilities.

support functions, allowing the reduction of 2.0 FTE. Operating expenses decrease approximately 1 percent between the two biennia due to lower contracted services costs. During fiscal 1990, the program spent \$6,000 in secretarial services, which it did not request be continued in the current level. This decrease is partially offset by audit cost increases of approximately \$1,700 per year. There was no equipment requested. Funding is provided by fees charged for loan applications and from investment income.

Issue

Current Level Budget

The current level budget decreases 17.7 percent between the two biennia, due mainly to lower personal services costs. In fiscal 1990, the Health Facilities program moved into the same office as the Investment Division and consolidated

The agency's request includes a \$14,496 increase in contracted services for the program to share in the cost of a bond specialist position in the Board of Investments. Since the additional funds for this position are being requested as a budget modification in the Investment Division, the current level does not include this amount.

MONTANA SCIENCE & TECHNOLOGY ALLIANCE

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	6.00	6.00	5.00	5.00	-1.00
Personal Services	147,479	196,364	168,652	168,285	-2.01%
Operating Expenses	132,673	174,000	139,058	140,413	-8.87%
Equipment	5,805	0	0	0	-100.00%
Grants	<u>115,000</u>	<u>112,580</u>	<u>50,500</u>	<u>38,500</u>	<u>-60.89%</u>
Total Program	\$400,957	\$482,944	\$358,210	\$347,198	-20.19%
<u>Fund Sources</u>					
General Fund	<u>400,957</u>	<u>482,944</u>	<u>358,210</u>	<u>347,198</u>	<u>-20.19%</u>
Total Funds	<u>\$400,957</u>	<u>\$482,944</u>	<u>\$358,210</u>	<u>\$347,198</u>	<u>-20.19%</u>

Program Description

The Montana Science and Technology Alliance manages two investment funds for the purpose of strengthening entrepreneurial business development in Montana by encouraging the utilization of innovative technology for the benefit of the state's economy. The Seed Capital Investment program was established by the 1989 legislature, which authorized use of over \$7.5 million of the In-State Investment Fund (part of the Coal Severance Tax Trust Fund) for investment in new and expanding technology-based businesses in Montana. The Research and Development Financing program assists in the accelerated development of technology by providing a source of funds to researchers and research organizations in Montana for projects that have technological and commercial potential. Financing under this program will be directed toward continuing the Technology Centers of Excellence program located within the Montana University System.

The nine-member Board of Science and Technology (which is appointed by the Governor) provides policy direction for the program and awards the loans and grants.

House Bill 759 of the 1989 session appropriated \$2 million from the interest earned on the permanent coal tax trust fund to match federally-

appropriated funds for construction and start-up costs for medical research facilities in Montana. The bill required the state funds be matched on a four-to-one basis by federal funds. In late 1990, Congress appropriated funds for expansion of the McLaughlin Research facility in Great Falls, qualifying the facility for \$1.25 million of the state funds.

As of November 30, 1990, the board had invested \$1.2 million of the \$7.5 million from the In-state Investment Fund authorized by the 1989 legislature.

Current law requires the board to submit a report to the legislature by January 1, 1991, on its accomplishments.

Current Level Budget

Personal services in the current level budget decreases 2 percent as a result of the deletion of a senior investment analyst position which had been vacant since November 1988. This is offset by the salary of the executive director which increased substantially. The budgeted salary for the executive director for fiscal 1990 was \$36,960. However, the Science and Technology Board increased the salary to \$42,000 at the beginning of the fiscal year. This salary level (adjusted for the fiscal 1991 authorized pay plan increase) is continued in the current level budget for the 1993 biennium. As discussed

MONTANA SCIENCE & TECHNOLOGY ALLIANCE

below, the board has recently increased the salary above this level.

Operating expenses are based on fiscal 1990 actual expenditures, except for rent which is based on the contract cost and the indirect costs which are at the agency's requested level. No equipment was requested by the program. Grants, which decrease 60.9 percent, are included at the level requested by the agency. The agency's budget request states that in order to increase its operational funds, it plans to reduce the grants made for technological research and development.

Issue

The salary of the executive director was budgeted in the 1991 biennium as a grade 19 classified position. House Bill 683, enacted during the 1989 session, exempted this position from classification. In fiscal 1990, the board increased the salary for the position from \$36,960 to \$42,000. In August 1990, a new director was hired at a \$60,000 salary, with the understanding that the salary will increase to \$65,000 in fiscal 1992. The current level budget includes the fiscal 1990 salary adjusted for the authorized 2.5 percent pay plan increase in fiscal 1991 (\$43,380 in fiscal 1992 and \$43,215 in fiscal 1993).

BOARD OF HOUSING

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	14.00	14.00	13.00	13.00	-1.00
Personal Services	322,711	399,580	359,569	358,959	-.52%
Operating Expenses	1,235,058	1,750,995	1,316,109	1,331,948	-11.32%
Equipment	13,169	2,619	1,850	3,950	-63.26%
Debt Service	1,499	1,499	0	0	-100.00%
Total Program	\$1,572,437	\$2,154,693	\$1,677,528	\$1,694,857	-9.52%
<u>Fund Sources</u>					
Proprietary Fund	1,572,437	2,154,693	1,677,528	1,694,857	-9.52%
Total Funds	\$1,572,437	\$2,154,693	\$1,677,528	\$1,694,857	-9.52%

Program Description

The Montana Board of Housing, which is administratively attached to the department, is responsible for helping provide safe and affordable housing to lower income individuals and families. The board operates single-family home ownership and multi-family rental housing programs, through the issuance of revenue bonds and allocation of federal tax credits. The proceeds are made available to individuals and governmental entities. The board also operates a Reverse Annuity Mortgage Loan program to assist elderly homeowners. This seven-member board is appointed by the Governor.

turnover caused cost reductions of approximately \$40,000 in fiscal 1990.

Operating expenses are based on the fiscal 1990 actual expenditures with the following exceptions: 1) contracted services for trustee and paying agent fees were increased to reflect the program's request, adding \$58,000 in fiscal 1992 and \$74,000 in fiscal 1993; 2) legal fees were increased \$6,300 each fiscal year; and 3) postage and long distance were increased \$3,000 per year. These increased costs reflect anticipated costs associated with new bond issues in the 1993 biennium. In addition, the indirect costs for the Director's/Management Services costs were increased \$6,400 per year to reflect the agency's request.

Current Level Budget

While the 1993 biennium budget decreases 9.5 percent compared to the 1991 biennium, fiscal years 1992 and 1993 are approximately 7 percent higher than actual fiscal 1990 expenditures. The fiscal 1991 appropriation includes foreclosure fees at \$1.14 million, compared to fiscal 1990 expenditures of \$693,251.

Personal services costs remain at the same level as the 1991 biennium even though 1.00 FTE (an administrative officer IV position that has been vacant since before July 1, 1988) has been deleted. Vacancy savings and staff

The equipment budget includes the program's request for office equipment and a single-user computer. The Executive Budget includes \$145,600 in the board's current level budget for the purchase of multi-use computers which is not in the LFA current level budget. The board was appropriated \$112,847 for equipment in fiscal 1990, which included \$100,000 to purchase software for a cash-flow analysis program. The software was not purchased in fiscal 1990. However, the board plans to purchase it in fiscal 1991 using excess foreclosure fee authority. Funding for this program is provided by an administrative charge applied to mortgages that the board finances.

BOARD OF INVESTMENTS

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	26.00	26.00	26.00	26.00	.00
Personal Services	946,597	981,735	1,011,396	1,011,136	4.89%
Operating Expenses	427,221	595,997	567,724	591,440	13.29%
Equipment	13,449	12,000	36,000	12,000	88.61%
Total Program	\$1,387,267	\$1,589,732	\$1,615,120	\$1,614,576	8.49%
<u>Fund Sources</u>					
Proprietary Fund	1,387,267	1,589,732	1,615,120	1,614,576	8.49%
Total Funds	\$1,387,267	\$1,589,732	\$1,615,120	\$1,614,576	8.49%

Program Description

The Board of Investments and its staff manage the unified investment program for public funds, required under Article VIII, Section 13. The program manages four investment portfolios: The Fixed Income portfolio of over \$2 billion is the largest of the portfolios managed, consisting of the long-term debt held by the board. The Equity portfolio consists of common stock worth over \$300 million. The Short Term Investment Pool (STIP) portfolio consists of nearly \$700 million in securities with maturities of less than one year. The Residential Loan and Commercial Loan portfolio consists of over \$150 million of Montana residential and commercial loans. The board is also responsible for administration of several different programs which issue bonds for the purpose of assisting local governments, cities, and school districts, or providing funds to improve the state's economy. Programs administered by the board include the Economic Development Bond programs (Stand Alone and Pooled), Montana Conservation Reserve Payment Enhancement program, In-state Investment program, Municipal Consolidation Finance Act, and the Montana Cash Anticipation Finance program.

The Board of Investments, a nine-member board appointed by the Governor, directs the investment of state funds in accordance with state laws and the constitution. The board is adminis-

tratively attached to the Department of Commerce.

Current Level Budget

The division's current level budget increases 8.5 percent over the 1991 biennium, due to increases in personal services, operating expenses, and equipment. Personal services increase 4.9 percent primarily because the board gave salary increases in fiscal 1990 to exempt staff that exceeded the 2.5 percent authorized by the 1989 legislature. These raises increase the personal services budgets for both fiscal years 1992 and 1993 by approximately \$22,000.

Operating expenses for both fiscal years of the 1993 biennium are based on fiscal 1990 actual expenditures with four exceptions. Contracted services are increased by \$152,000 in fiscal 1992 and \$174,700 in fiscal 1993 to provide for the management of the portfolio of the Conservation Reserve Program (CRP). This program provides its own source of revenue. Investments by the board in the CRP program were authorized by House Bill 717 of the 1989 legislative session. House Bill 100 appropriated \$250,000 each fiscal year for this program and required the board to make a report concerning its expenditures to the 1991 legislature. Audit costs decrease approximately \$10,000 per fiscal year. Indirect cost paid to the Directors/Management Services program are at the agency request level and increase

BOARD OF INVESTMENTS

approximately \$5,000. Travel costs are reduced approximately \$6,800 per fiscal year to reflect the agency request.

The equipment budget is for computer equipment, printer, and software. Funding for the program is from two proprietary fund accounts. One receives revenue from the Industrial Bond account and from the CRP program. The other receives administrative costs deducted from earnings on the funds invested by the board.

Issue

Salary Increases for Exempt Staff

In fiscal 1991, the board again gave salary increases to the exempt positions that exceeded the 2.5 percent authorized by the 1989 legislature. The LFA current level includes these salaries at 2.5 percent over the fiscal 1990 salaries, which is approximately \$16,000

(includes benefits) less than the positions are currently being paid.

Executive Budget Modification

Additional FTE BOI/HFA

The Executive Budget includes \$45,069 of proprietary funds and 1.0 FTE for the biennium to hire a bond program specialist to provide the technical program support for bonding programs within the Board of Investments (BOI) and the Health Facility Authority (HFA). In July 1989, the HFA co-located its offices with the BOI and eliminated 2.0 FTE by contracting with the BOI for clerical, accounting, and program support services. The additional FTE is requested to handle the increased bonding workload generated by the Intermediate Term Capital program, Conservation Reserve Payment Enhancement program, and the HFA Pooled Loan program.

MONTANA STATE LOTTERY

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	35.00	35.00	36.00	36.00	1.00
Personal Services	899,888	994,421	1,038,933	1,039,160	9.70%
Operating Expenses	9,532,421	1,969,286	2,064,314	2,065,485	-64.10%
Equipment	66,033	0	0	0	-100.00%
Debt Service	189,993	1,992	0	0	-100.00%
Total Program	\$10,688,335	\$2,965,699	\$3,103,247	\$3,104,645	-54.54%
<u>Fund Sources</u>					
Proprietary Fund	10,688,335	2,965,699	3,103,247	3,104,645	-54.54%
Total Funds	\$10,688,335	\$2,965,699	\$3,103,247	\$3,104,645	-54.54%

Program Description

The Montana Lottery program designs and markets lottery games which allow players to purchase chances at winning prizes. A five-member commission, appointed by the Governor, sets policy and oversees activities and procedures of the program. The Governor also appoints a program director who coordinates the lottery's marketing, operations, security, and administration. Under current law, revenue from lottery ticket sales are distributed with a minimum of 45 percent to prizes with the remaining net revenue, after commissions and operating expenses, transferred to the Office of Public Instruction (OPI) for distribution as state equalization aid to the public schools. House Bill 207 of the 1989 session eliminated the statutory appropriation for the program's administrative expenses, making these expenses subject to the appropriation process.

Current Level Budget

The current level budget decreases 54.5 percent from the 1991 biennium to the 1993 biennium primarily because fiscal 1990 includes the costs of participating in the Lotto America game. This is

addressed in the budget modifications below. The current level budget reflects the cost of the lottery program's administrative program. These costs are based on information provided in the agency budget request. Personal services costs increase 9.7 percent between the biennia due to: 1) 6.2 percent vacancy savings in fiscal 1990 (\$59,200); 2) 1.0 FTE was transferred from the Promotions program, which increased personal services cost by \$28,600 per fiscal year; and 3) a warehouse foreman position was increased two grades at an annual cost of \$7,800. Equipment requests are addressed in the budget modifications.

The following table shows lottery revenue and its distribution for the last three fiscal years. In fiscal 1990, net earnings of \$4.2 million were transferred to OPI. The agency estimates that net revenues will be higher in the future (fiscal 1991 - \$5.0 million; fiscal 1992 - \$6.2 million; fiscal 1993 - \$7.1 million) due to expansion of on-line games and creation of a Montana lotto game. During fiscal 1989 and 1990 administrative expenses as a percentage of sales increased from 15 percent to 27 percent, due to falling sales. Similarly, net revenues transferred to OPI dropped from 38 percent to 19 percent of sales.

MONTANA STATE LOTTERY

Table 2
Montana Lottery Revenue, Distribution and Ratios

	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>
REVENUE			
Ticket Sales	\$21,787,581	\$11,644,061	\$21,502,463
Other	5,900	3,600	11,524
Interest	0	0	25,773
Retained Earning	<u>753,617</u>	<u>(139,435)</u>	<u>(29)</u>
Total Revenue	<u>\$22,547,098</u>	<u>\$11,508,226</u>	<u>\$21,539,731</u>
DISBURSEMENTS			
Prizes	\$ 9,807,415	\$ 5,300,097	\$10,189,328
Commissions	1,210,074	669,313	1,352,477
Operating	3,275,128	2,763,240	5,828,528*
Other	18,022	913	540
OPI	<u>8,375,894</u>	<u>2,774,692</u>	<u>4,168,858</u>
Total Expenses	<u>\$22,686,533</u>	<u>\$11,508,255</u>	<u>\$21,539,731</u>
PROFIT	\$ (139,435)	\$ (29)	\$ 0
RATIOS			
Op. Expenses/sales	.1503	.2373	.2711
Prizes/sales	.4501	.4552	.4739
Commissions/sales	.0555	.0575	.0629
OPI/sales	.3844	.2383	.1939

*Includes Lotto America expenses.

Executive Budget Modifications

Lotto American and On-line Expansion

The department requests \$6,742,565 for the biennium funded from the proprietary account to continue participation in the interstate lottery and expand on-line lottery games implemented during fiscal 1990. While the department could expend this anticipated additional revenue through an operational plan adjustment (as allowed by Section 23-5-1027, MCA, which states that the spending authority of the lottery may be increased upon review and approval of a revised oper-

ation plan by the budget office), the department has submitted this request for legislative review.

Lottery Vehicles

The program is requesting \$55,500 in proprietary funds in fiscal 1993 to replace five vehicles used by the Montana Lottery field staff to deliver tickets and provide marketing assistance to retailers located throughout Montana. These vehicles will be three years old in fiscal 1993 and have been driven 100,000 miles.

BOARD OF HORSE RACING

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	5.78	5.78	5.78	5.78	.00
Personal Services	103,085	167,537	156,004	156,230	15.38%
Operating Expenses	124,952	155,110	135,792	135,992	-2.96%
Equipment	<u>410</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>65.98%</u>
Total Program	\$228,447	\$324,647	\$293,796	\$294,222	6.31%
<u>Fund Sources</u>					
State Revenue Fund	<u>228,447</u>	<u>324,647</u>	<u>293,796</u>	<u>294,222</u>	<u>6.31%</u>
Total Funds	<u>\$228,447</u>	<u>\$324,647</u>	<u>\$293,796</u>	<u>\$294,222</u>	<u>6.31%</u>

Program Description

The Board of Horse Racing program is responsible for regulating the horse racing industry, both live and simulcast. The program ensures compliance by the approximately 3,500 licensees with state laws and board rules. The board is responsible for the licensing of all racing personnel, establishment of race dates for various communities, establishment of veterinary practices and standards in connection with horse racing meets, and the auditing, supervision, and investigations related to the parimutuel racing system in Montana. The 1989 legislature expanded the scope of the Board of Horse Racing to include the licensing and regulation of simulcast horse racing.

Current Level Budget

The current level budget increases 6.3 percent from the 1991 biennium level due primarily to increased personal services costs. This 15.4 percent increase results from fiscal 1990 vacancy savings (\$59,500 or approximately 36.6 percent). The majority of this vacancy savings occurred in two aggregate positions which are used for their seasonal employees. In addition, an administrative aid position was vacant for almost 11 months. Full funding for all authorized positions is included in the current level budget.

Operating expenses for the 1993 biennium are based on fiscal 1990 actual expenditures. Indirect costs are increased by \$5,400 per fiscal year to reflect the agency's request. The equipment, which reflects the agency's request, includes funds for office equipment. Funding for the program is from a tax on gross receipts for betting on horse races.

DIRECTOR/MANAGEMENT SERVICES

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	22.34	22.34	21.84	21.84	-.50
Personal Services	666,074	720,210	716,026	715,493	3.26%
Operating Expenses	140,923	139,341	154,806	154,567	10.39%
Equipment	13,382	1,000	1,000	1,000	-86.09%
Total Program	\$820,379	\$860,551	\$871,832	\$871,060	3.69%
<u>Fund Sources</u>					
General Fund	95,067	103,743	100,220	100,322	.87%
Proprietary Fund	725,312	756,808	771,612	770,738	4.06%
Total Funds	\$820,379	\$860,551	\$871,832	\$871,060	3.69%

Program Description

The Director's Office and Management Services program consists of four areas. The Director's Office assists the department with executive, administrative, legal, and policy guidance. This office acts as the liaison among private business, local governments, administratively attached boards, public and private interest groups, the legislature, Indian tribes, individuals, and the Governor's office in the effort to improve and stabilize the economic climate in Montana. The Management Services Division provides internal support to all agency programs. Services provided include budgeting, accounting, purchasing, contracting, personnel administration, payroll, training, and the analysis, development, maintenance, and supervision of department data processing systems and hardware. Legal Services provide legal counsel to the department director and legal supervision and overview for all other agency attorneys. The Consumer Affairs unit provides information and assistance to Montana consumers regarding unfair methods of competition or deceptive acts in the conduct of any trade or commerce. The unit administers the Proprietary Post-secondary Schools program, which establishes minimum criteria for licensing and the "Lemon Law" statute when disputes arise between

a purchaser and manufacturer of a new motor vehicle.

Current Level Budget

The program's current level budget increases 3.7 percent over the 1991 biennium due to higher personal services costs and operating expenses. Personal services increase 3.3 percent due to vacancy savings of \$29,527 in fiscal 1990. This is partially offset by the transfer of a 0.5 FTE administrative officer position to the Research and Information program.

Operating expenses are based on fiscal 1990 actual expenditures with the exception of audit costs which increase approximately \$14,600 per fiscal year. All legislative audits costs are paid out of this program and then allocated to each program through indirect cost assessments. Equipment in fiscal 1993 biennium will allow for purchase of a laser printer.

The general fund provides funding for the consumer protection unit and \$1,000 each year for the County Printing Board which is attached to the Department of Commerce for administrative purposes and is included in the Director's program. The remainder of the program is funded by indirect cost assessments to the other programs in the department.



INSTITUTIONS AND CULTURAL EDUCATION

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

DEPARTMENT OF INSTITUTIONS

Budget Item	Executive Current Level		LFA Current Level		Executive Over(Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	1,811.89	1,766.35	2,040.70	2,039.70	(273.35)
Personal Services	49,020,383	47,985,322	55,079,807	55,282,273	(13,356,375)
Operating Expenses	16,891,951	17,133,418	16,898,367	17,311,684	(184,682)
Equipment	601,336	562,253	568,086	559,102	36,401
Capital Outlay	16,500	16,500	16,500	16,500	0
Grants	6,954,965	6,954,965	6,974,475	6,974,475	(39,020)
Debt Service	38,302	31,760	38,559	31,760	(257)
Total Agency	\$73,523,437	\$72,684,218	\$79,575,794	\$80,175,794	(\$13,543,933)
<u>Fund Sources</u>					
General Fund	63,427,105	62,576,548	68,575,969	69,078,683	(11,650,999)
State Revenue Fund	3,101,105	3,120,085	4,282,437	4,392,173	(2,453,420)
Federal Revenue Fund	3,996,317	3,985,132	3,928,245	3,928,150	125,054
Proprietary Fund	2,998,910	3,002,453	2,789,143	2,776,788	435,432
Total Funds	\$73,523,437	\$72,684,218	\$79,575,794	\$80,175,794	(\$13,543,933)

Executive Budget Comparisons

The 1993 biennium LFA current level budget exceeds the Executive Budget current level by \$13.5 million. When the Executive Budget modifications are included, the LFA current level budget exceeds the Executive Budget by nearly \$1.0 million. The Executive Budget recommends closing the Galen campus at the Montana State Hospital and significantly reducing the population at Montana Developmental Center (MDC). These reductions are partially offset by increased expenditures in the correctional facilities, community corrections, and community chemical dependency services. The LFA current level budget reflects continuing operation under current law.

Table A shows the major differences between the Executive and LFA current level budgets during the 1993 biennium. The most significant differences are discussed below as "Issues". As well as these programmatic differences, the Executive Budget for the 1993 biennium includes: 1) \$58,720 more for Department of Administration computer network charges; 2) \$36,401 more for equipment throughout the agency; 3) \$1.1 million less for inflation; and 4) \$249,481 less in its base. The LFA current level budget is based on fiscal 1990 expenditures for supplies, materials, and medical services, which were higher than the 1991 appropriated amounts used as a base in the Executive Budget.

DEPARTMENT OF INSTITUTIONS

Table A
Executive Current Level Budget Over/(Under)
LFA Current Level Budget
1993 Biennium

<u>Expenditure Type</u>	<u>FTE FY92</u>	<u>FTE FY93</u>	<u>General Fund Difference</u>	<u>Total Difference</u>
Galen Mental Health	(136.35)	(136.35)	(\$5,914,265)	(\$6,707,271)
Galen Chemical Dependency	(51.65)	(51.65)	(\$470,060)	(2,821,934)
Center for the Aged	0.00	(4.49)	(101,954)	(101,954)
MDC Reduction	(38.81)	(78.86)	(3,802,198)	(3,826,470)
Central Oper. Pers. Services	(1.00)	(1.00)	(39,111)	(39,111)
Vets' Home Personal Services	(1.00)	(1.00)	(35,398)	(35,398)
HPI Contract			159,094	159,094
Prison Canteen			0	810,506
Prison Industries			0	238,141
D of A Network			58,720	58,720
Equipment			(44,169)	36,401
Inflation			(1,044,940)	(1,065,176)
Base Differences			(416,718)	(249,481)
Total Differences	(228.81)	(273.35)	(\$11,650,999)	(\$13,543,933)

The differences in current level funding for the biennium (shown in Table A) are primarily the net result of: 1) \$11.65 million less in general fund in the Executive Budget due to reductions at MSH and MDC; 2) \$3.14 million less in earmarked alcohol funds resulting from the recommendation to close Galen; 3) \$810,506 more in the Executive Budget for state special revenue for the Prison Canteen; and 4) \$238,141 more in the Executive Budget for proprietary funds for the Prison Industries program. When the Executive Budget modifications are included, the LFA current level general fund exceeds the Executive Budget by \$3.9 million during the 1993 biennium. Executive Budget modifications also request \$3.4 million in earmarked alcohol funds for community chemical dependency services.

Issues

Closure of Galen

The Executive Budget recommends the closure of Galen while the LFA current level budget reflects continued operation under current law. The

Executive Budget current level is less than the LFA current level because the Executive Budget recommends: 1) reducing FTE by 136.35 and reducing expenditures by \$6.7 million during the biennium for the mental health portion of Montana State Hospital; 2) reducing FTE by 51.65 and reducing expenditures by \$2.8 million for the Galen chemical dependency program; and 3) reducing FTE by 4.49 in fiscal 1993 and personal services by \$0.1 million at the Center for the Aged because fewer residents will be participating in the resident work program. An expanded discussion of the proposed Galen closure is provided in the "Issues" section of the Mental Health Division narrative.

Reductions at MDC

The Executive Budget recommends reducing the population at MDC from 181 average daily population (ADP) in fiscal 1990 to 100 to 110 ADP during the 1993 biennium, while the LFA current level budget assumes approximately 150 ADP for the entire biennium. The LFA current level includes a reduction of 29.68 FTE to reflect the 1989 legislature's approval of the transfer of 30 ADP to a community

DEPARTMENT OF INSTITUTIONS

Specialized Service Support Organization. The Executive Budget recommends elimination of an additional 78.86 FTE by fiscal 1993, reducing expenditures by \$3.8 million in the 1993 biennium, and transferring approximately 40 to 50 additional residents to community services. Additional details on the "downsizing" of MDC are presented in the Department of Social and Rehabilitative Services narrative.

FTE Reductions

The Executive Budget recommends the reduction of 1.0 FTE secretary in Central Operations and 1.0 FTE aggregate resident care aide in the Montana Veterans' Home. The LFA current level includes all secretaries and direct care positions currently authorized in the 1991 biennium.

HPI Contract

The Executive Budget includes \$464,116 in fiscal 1992 and \$483,528 in fiscal 1993 for contracted pharmacy services in the state institutions. The LFA current level continues funding for this contract at the fiscal 1990 level of \$394,275. Details concerning this contract are discussed in the "Issues" section of the Central Operations Division narrative.

MSP Canteen

The Executive Budget contains the fiscal 1991 appropriated level of \$1,159,246 per year for the MSP Canteen, which is

\$810,506 higher in the 1993 biennium than the LFA current level budget. The 1989 legislature approved spending authority based upon anticipated increases in the canteen, which did not materialize. As a result, the Executive Budget is over 100 percent higher than the actual fiscal 1990 expenditures. The LFA current level budget increases the fiscal 1990 actual expenditures by 25 percent in fiscal 1992 and 37 percent in fiscal 1993 to allow for anticipated increases in population.

MSP Industries

The Executive Budget contains approximately \$1.1 million per year for the Prison Industries program, exceeding the LFA current level of approximately \$980,000 per year by \$238,141 during the biennium. The Executive Budget level is based on the fiscal 1991 appropriation, while the LFA current level budget is based on actual 1990 expenditures of \$829,250 plus additional agency requests for freight and goods purchased for resale.

Executive Budget Modifications

In addition to the \$146.2 million current level budget for the 1993 biennium, the Executive Budget contains \$12.6 million in modified budget requests for the Department of Institutions. These budget modifications are listed in the following agency narrative and discussed in more detail in the program narratives.

DEPARTMENT OF INSTITUTIONS

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	2,080.78	2,084.18	2,040.70	2,039.70	-44.48
Personal Services	51,029,552	55,979,179	55,079,807	55,282,273	3.13%
Operating Expenses	16,165,976	17,443,165	16,898,367	17,311,684	1.79%
Equipment	559,027	227,877	568,086	559,102	43.24%
Capital Outlay	20,118	0	16,500	16,500	64.03%
Grants	7,462,994	7,666,708	6,974,475	6,974,475	-7.81%
Debt Service	19,753	1,580	38,559	31,760	229.63%
Total Agency	\$75,257,420	\$81,318,509	\$79,575,794	\$80,175,794	2.03%
Fund Sources					
General Fund	64,465,440	69,463,872	68,575,969	69,078,683	2.78%
State Revenue Fund	3,974,270	4,611,563	4,282,437	4,392,173	1.03%
Federal Revenue Fund	4,485,984	4,569,665	3,928,245	3,928,150	-13.24%
Proprietary Fund	2,331,726	2,673,409	2,789,143	2,776,788	11.20%
Total Funds	\$75,257,420	\$81,318,509	\$79,575,794	\$80,175,794	2.03%

Agency Description

The Department of Institutions, authorized in Section 2-15-2301, MCA, is directed in Section 53-1-201, MCA, to "utilize at maximum efficiency the resources of state government in a coordinated effort to: 1) restore the physically or mentally disabled; 2) rehabilitate the violators of laws; 3) sustain the vigor and dignity of the aged; 4) train children of limited mental capacity to their best potential; 5) rededicate the resources of the state to the productive independence of its now dependent citizens; and 6) coordinate and apply the principles of modern institutional administration to the institutions of the state." The department staff seek to provide care and treatment services that will guarantee the rights of residents, comply with state and federal standards, and when possible, return residents of the institutions to a normal life in the community.

The department is reorganizing into six divisions: 1) Central Operations, including the administratively attached Board of Pardons; 2) Corrections, which includes the Montana State Prison (MSP),

Swan River Forest Camp (SRFC), the Women's Correctional Center (WCC), and community programs; 3) Mental Health, which includes Montana State Hospital (MSH), Center for the Aged (CFA), and community programs; 4) Chemical Dependency; 5) Developmental Disabilities, which includes the Montana Developmental Center (MDC) and Eastmont Human Services Center; and 6) Veterans' Nursing Home program, which includes the Montana Veterans' Home (MVH).

Current Level Budget

As a result of the reorganization, the Department of Institution's current level budget includes all institutions operated by the state, as well as all other department functions. This is a change from previous years when the individual institutions were budgeted separately. The major difference between the 1991 and 1993 biennia is the reduction of nearly 42 FTE at the MDC to reflect: 1) changes in the food service system; and 2) the movement of 30 residents into the new Specialized Services and Support Organization (SSSO) approved by the 1989 legislature. Other differences in the current level budgets are discussed by program.

DEPARTMENT OF INSTITUTIONS

Issue

Reorganization-Dept. of Institutions

The Department of Institutions expects to complete the reorganization of its internal structure by the end of fiscal 1991. This reorganization results in budgeting changes which may alter administrative flexibility and legislative control. The legislature currently authorizes the existence of individual state institutions through Section 53-1-202, MCA, which states, "A state institution may not be moved, discontinued, or abandoned without prior consent of the legislature." However, according to Section 2-15-112, MCA, department heads have the power to establish the internal organizational structure of the department, subject to the approval of the Governor and in accordance with Section 2-15-104, MCA. The latter section requires that the principal unit of a department be a division, the principal unit of a division be a bureau, and the principal unit of a bureau be a section.

Each service unit within the department is currently a division. For example, the Central Office, the State Prison, and the Montana Developmental Center are principal units (divisions) of the department providing specific services. However, for accounting and budgeting purposes, these divisions have historically been considered agencies and elevated to department level. Individual programs within these agencies have received separate line-item appropriations. The first column of Table 1 shows the line-item appropriations for the department in fiscal 1990. In fiscal 1992, the reorganized department will have divisions based on general function rather than service units, and the line-item appropriations will be those shown in the second column of Table 1.

TABLE 1
Impact of DOI Reorganization
Line Items Fiscal 1990, 1992

<u>Fiscal 1990</u>	<u>Fiscal 1992</u>
Director's Office Management Services Board of Pardons	Cent. Office
Corrections Cent. Off. Women's Corrections Corrections Medical Swan River Prison Care/Custody License Plate Factory Ranch/Dairy Industries Industries Training Canteen	Corrections
Mental Health Cent. Off. Community Mental Health Montana State Hospital Center for the Aged	Mental Health
Alcohol & Drug Abuse	Chem. Depend.
Montana Dev. Center Eastmont	DD System
Veterans' Home	Vets' Homes

The Department of Institutions will be divided into six divisions. Within each division, the individual service units will be budgeted as bureaus. For example, in fiscal 1992, bureaus within the Department of Institution's Corrections Division will be Corrections Administration, the Prison and its programs (sections), SRFC, Women's Corrections, and Community Corrections. None of the bureaus or sections will be budgeted separately unless the legislature takes specific action. The reduction in the proposed number of line-item appropriations increases the department's ability to respond to needs within its service areas, but decreases the legislature's ability to budget for specific services.

"Boilerplate" language in the current appropriations bill limits the transfer

DEPARTMENT OF INSTITUTIONS

of spending authority within and between divisions for all state agencies. Individual programs are subject to language stating that "no category [first level personal services, operating expenses, equipment, etc.] in the approved operating budget [of a program] may be exceeded by more than five percent... and "the transfer [between programs] may not exceed five percent of the total agency appropriation." Using the 5 percent "caps", the legislature has controlled appropriations and expenditures at the program level within each service unit of the department, thus limiting administrative flexibility to respond to changing service needs at the units. However, additional language inserted in House Bill 100 for the Department of Institutions lifts the "cap" on transfers between programs or institutions within corrections or mental health if the transfer is approved by the Governor or his designated representative.

Under the new structure, the 5 percent "boilerplate caps" would limit transfers among the new divisions but would not limit transfers among the units within first level expenditure categories. For example, within the Mental Health Division, the department could make unlimited transfers of operating expense

budget authority between MSH and CFA or Community Services, subject to the statutory provision that an institution not be abandoned without legislative approval. The department could adjust budgets to meet changing needs within each division without being constrained by caps on appropriations by service unit. This approach will increase administrative flexibility and decrease legislative control.

The legislature can respond to the department reorganization in several ways, depending upon the degree of administrative flexibility and legislative control desired. First, the legislature can line-item appropriations by division as depicted in Table 1, column two. This action would allow unlimited transfers within each division, subject only to the 5 percent limitation on transfers between first level expenditure categories. This option would provide more administrative flexibility than is currently available, because approval of the Governor or his designated representative would not be required. Second, the legislature can line-item appropriations at the service or bureau and section levels within the division structure and provide additional language in certain cases allowing the department to exceed the 5 percent "caps". This option is essentially equivalent to the agency and program line-item appropriations in the current biennium.

DEPARTMENT OF INSTITUTIONS

Executive Budget Modifications

1993 Biennium

<u>Budget Modifications</u>	<u>FTE FY92</u>	<u>FTE FY93</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Central Operations Division					
1) Special Services	2.00	2.00	\$262,048		\$262,048
2) Board of Pardons Staff	1.00	1.00	58,936		58,936
3) Info. System Enhancement			258,689		258,689
Corrections Division					
4) Jail-Parole Violators			133,980		133,980
5) Jail-Graduated Sanctions			132,240		132,240
6) Medical Cost Increases			269,279		269,279
7) Staff-Additional Capacity	21.60	32.20	1,371,669		1,371,669
8) Operating Cost Increases			161,716		161,716
9) Targeted Case Managers	2.00	2.00	121,701		121,701
10) MSP Chemical Dependency	4.00	4.00		212,617	212,617
11) SRFC Chemical Dependency	1.50	1.50		78,175	78,175
12) Female Population Inc.	2.00	2.00	178,460		178,460
13) WCC Chemical Dependency	1.00	1.00		57,000	57,000
14) BLSC Operating Inc.			6,220		6,220
15) New Women's Pre-Release			515,162		515,162
16) Local Jury Sentencing	1.00	1.00	35,085	35,000	70,085
17) Pre-Release Expansion			994,540		994,540
18) House Arrest			90,000		90,000
19) Great Falls ISP Program	2.50	2.50	200,814		200,814
20) Probation/Parole Officers	3.00	4.00	269,335		269,335
Mental Health Division					
21) Homeless Block Grants				550,000	550,000
22) Service Provider Inc.			413,090		413,090
23) Patient Trans. Dir. Care	12.80	12.80	543,929		543,929
24) Patient Trans. Non-DC	5.53	3.73	388,044		388,044
25) Federal Data Grant				133,875	133,875
26) Child/Adoles. Services	0.25			13,547	13,547
Chemical Dependency Division					
27) Alt. Chem. Dep. Services	2.00	2.75	942,277	3,135,595	4,077,872
28) Community Youth Activity	1.00	0.25		523,583	523,583
29) Chem. Dep. Data Grant				82,235	82,235
Develop. Disability Division					
30) MDC ICF/MR Certification	3.83	2.00	137,664		137,664
31) Eastmont ICF/MR Cert.	6.00	6.00	279,410		279,410
Total	73.01	80.73	\$7,764,288	\$4,821,627	\$12,585,915

The Executive Budget includes the budget modifications which are listed above.

The modifications are discussed in the program narratives.

CENTRAL OPERATIONS

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	39.00	39.00	45.00	45.00	6.00
Personal Services	1,054,172	1,221,490	1,375,741	1,374,499	20.85%
Operating Expenses	271,209	239,268	328,997	330,218	29.14%
Equipment	17,134	0	0	0	-100.00%
Debt Service	<u>3,053</u>	<u>1,056</u>	<u>704</u>	<u>0</u>	<u>-82.87%</u>
Total Program	\$1,345,568	\$1,461,814	\$1,705,442	\$1,704,717	21.47%
<u>Fund Sources</u>					
General Fund	1,327,588	1,461,814	1,619,283	1,618,728	16.08%
State Revenue Fund	4,296	0	78,484	78,314	3549.86%
Federal Revenue Fund	7,637	0	4,256	4,256	11.46%
Proprietary Fund	<u>6,047</u>	<u>0</u>	<u>3,419</u>	<u>3,419</u>	<u>13.08%</u>
Total Funds	\$1,345,568	\$1,461,814	\$1,705,442	\$1,704,717	21.47%

Division Description

Central Operations includes the Director's Office, Management Services, Special Services, and the administratively attached Board of Pardons. The Director's Office is responsible for effective management and planning for the department. It also provides legal, personnel, and labor relations support services for all programs, as well as administrative support for the Board of Pardons.

Management Services is responsible for: 1) the department's budgeting and accounting, reimbursement, and data processing services; and 2) providing budgeting and management assistance to individual institutions. It bills and collects revenue generated by the department, including medicaid, medicare, insurance, private payments, and Veterans' Administration contributions.

The Special Services unit, a new administrative structure, oversees the developmental disability system and the veterans' homes. One FTE administrator and related operating expenses are included in this program.

The Board of Pardons, located in Deer Lodge, is responsible for the release of inmates on parole and furlough. It also

reviews all requests for executive clemency and makes recommendations to the Governor. The board consists of three regular members and one auxiliary member, appointed by the Governor with the advice and consent of the Senate. By statute, at least one member must have particular knowledge of Indian culture and problems. Members receive \$50 per day plus travel expenses for days spent performing board duties. Statutory authority for the board is found in Sections 2-15-2302 and 46-23-104, MCA.

Current Level Budget

Personal services increase 20.9 percent because: 1) the department has reallocated 6.0 FTE administrative personnel to this program from the Chemical Dependency, Mental Health, and Corrections programs; 2) vacancy savings which occurred in fiscal 1990 is not budgeted in the 1993 biennium; and 3) Board of Pardons' per diem was increased for additional caseload.

Operating expenses increase 29.1 percent primarily because: 1) only \$34,000 in biennial audit expenditures occurred in fiscal 1990, while audit costs of \$165,946 are budgeted for the 1993 biennium; and 2) a Board of Pardons' request for increased operating expenses of \$6,818 each year was included for

CENTRAL OPERATIONS

additional caseload. No equipment is budgeted in current level. The actual fiscal 1990 equipment expenditures were one-time expenditures for a computer and vehicle for the Board of Pardons. Debt service of \$704 in fiscal 1992 is for the final payment on a lease/purchase agreement for a telephone system.

Funding for this program is primarily general fund. Other funds used for audit costs in Chemical Dependency, Mental Health, and Corrections programs are: 1) earmarked alcohol tax; 2) federal Alcohol, Drug, and Mental Health Services funds; and 3) proprietary funds. In addition, earmarked alcohol tax has been used to fund personal services for the three positions moved to Central Operations from Chemical Dependency.

Issues

HPI Pharmacy Contract

During the 1987 biennium, the department had increasing difficulty filling pharmacy positions at the state pay rate. As a result, in November, 1987, the department signed a three-year contract with HPI Health Care Services, Inc. (HPI) to provide all pharmacy functions at MSH, MDC, MVH, CFA, and MSP. The contract required the department to pay: 1) an annual fee for services; 2) annual fee increases of five percent; and 3) the cost of drugs. The legislature maintained the HPI contract through the 1991 biennium, directing the department to report to the 1991 legislature on its effectiveness.

The department has signed a new three-year contract, effective December 1, 1990, that contains similar provisions. The department has requested current level budget increases to pay for the contract increases. Annual fees negotiated in the fiscal 1988 contract were \$364,856. The contract amounts since fiscal 1990 are:

Actual FY90	\$394,275
Est. FY91	430,911
Est. FY92	464,545
Est. FY93	487,773

These rates represent a 33.7 percent increase over the six-year contract (a 7.4 percent annual increase from fiscal 1990 to fiscal 1993) and a 24 percent increase over fiscal 1990 actual expenditures. The increases in fees for private personal services exceed the pay increases awarded state employees. Therefore, the LFA current level budget includes HPI contract fees at the fiscal 1990 actual rate of \$394,275. The legislature can appropriate funds for the HPI pharmacy contract at: 1) the fiscal 1990 actual rate; 2) the negotiated rate without the five percent increases; 3) the negotiated rate including the five percent increases; or 4) a level more commensurate with salary increases granted state employees.

Executive Budget Modifications

Special Services

General fund of \$133,720 in fiscal 1992 and \$128,328 in fiscal 1993 is requested for 1.0 FTE medical director, 1.0 FTE facility manager, and operating expenses in the new special services program.

Board of Pardons Staff Addition

General fund of \$31,511 in fiscal 1992 and \$27,425 in fiscal 1993 is requested for 1.0 FTE pre-parole programmer, operating expense, and first year equipment expense to help facilitate parole release for increasing caseloads.

Information System Enhancement

General funds of \$130,665 in fiscal 1992 and \$128,024 in fiscal 1993 are requested for computer enhancements. The request includes \$112,465 each year for the lease-purchase of a replacement for the department's IBM system 38 mainframe computer, \$18,200 in fiscal 1992 for multi-user computers, and \$15,559 in fiscal 1993 for repair and maintenance. These computer enhancements will allow data management based on human services systems, rather than on units within the systems.

CORRECTIONS DIVISION

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	567.34	566.34	563.84	563.84	-2.50
Personal Services	14,932,434	15,681,337	15,867,716	15,899,116	3.77%
Operating Expenses	8,689,743	10,001,504	9,526,652	9,751,361	3.14%
Equipment	413,445	144,101	385,886	372,560	36.03%
Capital Outlay	20,118	0	16,500	16,500	64.03%
Grants	3,311	0	19,510	19,510	1078.50%
Debt Service	1,043	524	1,411	888	46.71%
Total Program	\$24,060,094	\$25,827,466	\$25,817,675	\$26,059,935	3.99%
<u>Fund Sources</u>					
General Fund	20,852,208	21,689,580	22,011,783	22,194,493	3.91%
State Revenue Fund	703,428	1,304,777	863,400	935,400	-10.43%
Federal Revenue Fund	178,779	159,700	156,768	156,673	-7.40%
Proprietary Fund	2,325,679	2,673,409	2,785,724	2,773,369	11.20%
Total Funds	\$24,060,094	\$25,827,466	\$25,817,675	\$26,059,935	3.99%

Division Description

The Corrections Division develops and administers an integrated corrections program for adults. Specific programs within the Corrections Division include: 1) Administration; 2) a Corrections Medical program; 3) Community Corrections; 4) a young men's correctional program at Swan River Forest Camp; 5) the Women's Correctional Center at Warm Springs; and 6) Montana State Prison for men at Deer Lodge.

Since the correctional facilities are experiencing overcrowding, the department is requesting two new men's units and a new women's facility. The department has proposed that local governments bid for a 200-bed women's prison costing \$12 million and sell local government bonds to finance the construction. Estimated general fund payments for a lease/purchase agreement for this facility (before decreases from boarder revenue) total \$1.47 million per year. The request for the men's units is discussed in Long Range Building. If approved, the units would require significant increases in personal services and operating costs. The department estimates personal services and operating costs at approximately \$700,000 per year for each 96-bed men's

maximum security unit, or \$2.8 million for the 1995 biennium. If staffing in a women's prison is similar to that in the men's units, costs for the 1995 biennium would be approximately \$200,000 greater than during the 1993 biennium. Operational costs for the new facilities would total approximately \$3 million in the 1995 biennium.

Current Level Budget

Current level FTE decrease because: 1) 2.0 administrative FTE were transferred to Central Operations; and 2) 0.5 FTE at SRFC was deleted because it had been vacant more than six months. The major factor contributing to the 3.8 percent increase in personal services is the class action upgrade of most MSP and WCC correctional officers from a grade 9 to a grade 10.

Operating expenses increase 3.1 percent primarily because: 1) the medical budget increases over \$27,000 per year for an estimated 43.67 additional average daily population (ADP) at MSP and SRFC; 2) variable costs for items such as food and clothing increase over \$80,000 per year for an estimated 43.67 additional ADP at MSP and SRFC; 3) inflationary costs are added for food, drugs, medical services, and utilities;

CORRECTIONS DIVISION

4) Prison Industries was increased approximately \$150,000 each year to allow for growth; and 5) MSP canteen spending authority is increased to 125 percent of fiscal 1990 actual expenditures in fiscal 1992 and 137 percent in fiscal 1993 due to population growth. The HPI pharmacy contract is included at fiscal 1990 actual costs, and the department's request for contract increases is discussed in the "Issues" section of Central Operations.

Equipment is funded at the agency request in all corrections programs except: 1) Prison Industries where the top six priorities are funded; and 2) Prison Industries Training where the top three priorities are funded. Equipment authority for the 1993 biennium is approximately equal to spending authority in the 1991 biennium. Equipment appears to increase because 1991 biennial appropriations were not entirely spent in fiscal 1990 and the remaining authority is not shown in the 1991 appropriation in the table. When the fiscal 1991 authority is included, equipment decreases 2.4 percent.

The \$16,500 annual capital outlay request for building materials to construct a storage building at the prison ranch is equal to the 1991 biennial appropriation. Only \$20,118 was spent in fiscal 1990. When the remaining authority is included in fiscal 1991, total capital outlay does not increase.

The grants allow transfers from the prison canteen to the prisoners' welfare fund. During fiscal 1990, transfers of \$19,510 were coded in two categories: \$16,199 was coded as merchandise while the remaining \$3,311 was coded as grants. In the 1993 biennium, all transfers will be coded as grants.

Debt service is for lease/purchase of copy machines in Community Corrections and WCC.

General fund, the primary source of funding for the Corrections Division, increases 3.9 percent. Funding detail is discussed by program in the following sections.

Administration

The Administration program of the Corrections Division coordinates and administers all corrections activities through the Helena office.

The current level Administration budget decreases from \$583,975 in fiscal 1990 to approximately \$420,000 per year, reflecting: 1) the transfer of two administrative FTE to Central Operations; and 2) the elimination of one-time equipment expenditures for probation/parole and the new intensive supervision programs. Donations total \$873 per year, with the remainder of the budget funded by general fund.

Correctional Medical Program

The Correctional Medical Program pays medical, optometry, dental, and laboratory costs for all corrections programs. It also funds security officers for hospitalized inmates. This budget structure accommodates movement of individuals through the corrections system, providing a flexible method to fund health costs while avoiding unforeseen financial burdens on any one program.

General fund increases from \$837,000 in fiscal 1990 to \$910,237 in fiscal 1992 and \$959,738 in fiscal 1993, because: 1) inflationary increases in medical services add approximately \$45,000

CORRECTIONS DIVISION

in fiscal 1992 and \$95,000 in fiscal 1993; and 2) \$27,353 per year is added for an increased caseload of 43.67 ADP.

Fiscal 1990 expenditures exceeded the original appropriation by \$116,294, primarily because of cost increases associated with inflation and increased inmate populations in fiscal 1989 and 1990. The additional authority was provided through a \$71,000 supplemental and transfers from other programs. These increases are included in the current level budget.

Community Corrections

Community Corrections includes a probation, parole, and intensive supervision program, as well as pre-release centers which provide alternatives to prison. These centers provide educational and work opportunities while providing close supervision of the offenders. The de-

partment operates two pre-release centers: 1) the Billings Life Skills Center (BLS) which houses up to 12 female offenders; and 2) the Missoula pre-release center which can accommodate 24 male offenders. In addition, the department contracts with non-profit corporations for pre-release services in Billings, Butte, and Great Falls.

The Community Corrections program increases 7.0 FTE and approximately \$228,000 in fiscal 1992 and \$239,999 in fiscal 1993 because: 1) BLS has been transferred to Community Corrections from the Women's Correctional Center; and 2) inflationary costs of \$10,570 in fiscal 1992 and \$17,821 in fiscal 1993 have been added for board and room for private pre-release contracts. The total current level budget for all Community Corrections, funded by general fund, increases from \$3.8 million in fiscal 1990 to \$3.9 million per year for the 1993 biennium.

SWAN RIVER FOREST CAMP

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	25.83	25.83	25.33	25.33	- .50
Personal Services	670,363	709,821	724,654	725,126	5.04%
Operating Expenses	316,310	324,276	369,053	374,342	16.05%
Equipment	11,457	0	15,000	9,000	109.48%
Total Control	\$998,130	\$1,034,097	\$1,108,707	\$1,108,468	9.10%
<u>Fund Sources</u>					
General Fund	891,039	914,618	991,708	991,469	9.83%
State Revenue Fund	77,246	89,137	89,137	89,137	7.15%
Federal Revenue Fund	29,845	30,342	27,862	27,862	-7.42%
Total Funds	\$998,130	\$1,034,097	\$1,108,707	\$1,108,468	9.10%

The Swan River Forest Camp at Swan Lake, authorized in Sections 53-30-205 and 53-30-212, MCA, is a minimum security work camp for inmates between the ages of 18 and 25 who are transferred from the state prison. The inmates work cooperatively with the Division of

Forestry, Department of State Lands, in forestry programs such as thinning, seeding, and planting trees, as well as campground and recreation area maintenance. The staff provides educational opportunities, psychological services, work programs, training in

CORRECTIONS DIVISION

living skills, and planning for each inmate's return to the community. In fiscal 1990, the facility capacity was increased from 54 to 60 beds, while the average daily population was 52.

The current level budget increases 9.1 percent primarily because of: 1) approved upgrades in non-direct care positions; 2) increases of over \$20,000 per year for increasing ADP; 3) inflationary increases in food and utilities; and 4) canteen increases of

over \$12,000 per year. A 0.5 FTE was eliminated because it had been vacant over six months. Funding each year is: 1) approximately \$0.99 million general fund; 2) \$29,137 earmarked alcohol tax which funds 1.0 FTE drug and alcohol counselor; 3) \$60,000 state special revenues from the canteen; 4) federal Department of Education Chapter I funds of \$3,292; 5) federal school foods funds of \$10,121; and 6) federal boarder reimbursements of \$14,449.

WOMEN'S CORRECTIONAL CENTER

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	35.85	35.85	28.85	28.85	-7.00
Personal Services	610,541	868,776	733,119	735,389	-.73%
Operating Expenses	196,991	239,440	203,934	207,880	-5.64%
Equipment	17,378	2,190	2,190	2,190	-77.62%
Debt Service	147	0	887	888	1107.48%
Total Control	\$825,057	\$1,110,406	\$940,130	\$946,347	-2.53%
<u>Fund Sources</u>					
General Fund	825,057	1,110,406	940,130	946,347	-2.53%
Total Funds	\$825,057	\$1,110,406	\$940,130	\$946,347	-2.53%

The Women's Correctional Center in Warm Springs is a minimum to medium security facility for female offenders requiring incarceration. The program includes treatment, work, education, and recreation. This facility, opened in fiscal 1982, housed an ADP of 53 in fiscal 1990, compared to 35 ADP in fiscal 1988.

The current level budget is reduced by 7.0 FTE and \$157,820 from fiscal 1991 because the Billings Life Skills pre-release center was transferred to Community Corrections. Actual 1990 expenditures as shown in the table have been reduced to reflect that transfer.

CORRECTIONS DIVISION

MONTANA STATE PRISON

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	421.16	421.16	421.16	421.16	.00
Personal Services	11,359,965	11,819,447	11,991,324	12,021,385	3.59%
Operating Expenses	5,484,257	6,842,625	6,195,224	6,344,308	1.73%
Equipment	260,075	128,891	355,676	348,350	81.00%
Capital Outlay	20,118	0	16,500	16,500	64.03%
Grants	3,311	0	19,510	19,510	1078.50%
Total Control	\$17,127,726	\$18,790,963	\$18,578,234	\$18,750,053	3.92%
<u>Fund Sources</u>					
General Fund	14,074,485	14,773,556	14,890,214	15,002,483	3.62%
State Revenue Fund	625,309	1,214,640	773,390	845,390	-12.02%
Federal Revenue Fund	102,253	129,358	128,906	128,811	11.27%
Proprietary Fund	2,325,679	2,673,409	2,785,724	2,773,369	11.20%
Total Funds	\$17,127,726	\$18,790,963	\$18,578,234	\$18,750,053	3.92%

The Montana State Prison in Deer Lodge, authorized in Section 53-30-101, MCA, is a low, medium, and maximum security facility for the custody, treatment, training, and rehabilitation of adult male criminal offenders. The prison has six programs: 1) Care and Custody; 2) Canteen; 3) Ranch and Dairy; 4) Industries; 5) Industries Training; and 6) the License Plate factory. Treatment programs to aid rehabilitation include: 1) vocational education; 2) on-the-job training; 3) work experience; 4) sports and hobby programs; 5) music programs; 6) self-help groups; and 7) chemical dependency programs. In fiscal 1990, the prison had a design capacity of 744 inmates and an ADP of 1,097. The current level budget, shown in the table above, includes all prison programs and is discussed by program in the following narrative.

The Care and Custody program includes housing, security, general operations,

and administration of the prison. The prison's treatment and educational services are budgeted in this program. The primary funding source is general fund. Agency requests for annual funding included in the current level budget are: 1) \$55,390 earmarked alcohol tax; 2) \$80,491 for federal boarder reimbursements; 3) \$16,473 of federal adult education grants to the states; and 4) \$3,813 federal Chapter I and II educational funds.

The Canteen program provides store services and merchandise for inmates at the prison. The current level budget, funded by state special revenue at \$718,000 in fiscal 1992 and \$790,000 in fiscal 1993, increases 25 percent and 37 percent respectively, above actual fiscal 1990 expenditures of \$574,795 in response to the anticipated population growth. However, this increase is a reduction from the fiscal 1991 appropriation of \$1,159,250 and accounts for most of the 12.0 percent decrease in the prison state special revenue.

CORRECTIONS DIVISION

RANCH AND DAIRY

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	12.75	12.75	12.75	12.75	.00
Personal Services	489,051	486,334	493,654	493,480	1.20%
Operating Expenses	648,771	807,878	755,801	753,023	3.58%
Equipment	169,463	0	266,700	266,700	214.76%
Capital Outlay	20,118	0	16,500	16,500	64.03%
Total Control	\$1,327,403	\$1,294,212	\$1,532,655	\$1,529,703	16.81%
<u>Fund Sources</u>					
Proprietary Fund	<u>1,327,403</u>	<u>1,294,212</u>	<u>1,532,655</u>	<u>1,529,703</u>	<u>16.81%</u>
Total Funds	\$1,327,403	\$1,294,212	\$1,532,655	\$1,529,703	16.81%

The Ranch and Dairy program provides milk, cottage cheese, ice cream, and yogurt to the prison and other institutions while providing work and training for inmates. The program objective is to provide at least 50 inmates per month with training and experience in ranch and dairy skills. The current level budget, funded by proprietary funds, is shown in the table above. The current level budget increases are primarily the result of calculated increases in equipment and capital outlay. However, the total 1993 biennium appropriation for equipment and capital outlay is equal to the 1991 biennial appropriation. In fiscal 1990, only \$169,463 of the equipment and \$20,118 of the capital outlay biennial appropriations were spent. When the remaining equipment and capital outlay authority are included in fiscal 1991, total authority does not increase. Ranch equipment can be purchased only if revenues are sufficient.

The Industries program provides training and work experience in: 1) furniture construction and repair; 2) upholstery; 3) sign manufacturing; 4) printing; 5) logging; 6) post-pole manufacturing; and 7) building of jack-leg fences. Products from the program are currently

sold to other governmental entities, non-profit corporations and, in certain cases, to the private sector through licensed wholesalers and retailers. The current level budget, funded by proprietary funds, increases from \$829,255 in fiscal 1990 to \$842,235 in fiscal 1992 and \$832,833 in fiscal 1993, primarily because of inflationary increases in supplies and materials.

The Industries Training program, authorized in Sections 53-30-131 through 53-30-133, MCA, provides vocational on-the-job training and work experience for prison inmates. The program includes auto and heavy equipment repair and maintenance, industrial arts, meat cutting, horticulture, business skills, career counseling, and telemarketing. The current level budget increases from \$327,010 in fiscal 1990 to over \$450,000 for each year of the 1993 biennium because goods purchased for resale have increased. Approximately 37 percent or \$168,000 per year is general fund. The remainder of the funding is: 1) \$258,482 per year in proprietary funds generally received for sales and reimbursement of purchases; and 2) approximately \$28,000 per year federal Carl Perkins funds for a guidance counselor. The fund balance at 1990

CORRECTIONS DIVISION

fiscal year end (after removal of inventory and fixed assets) is less than the \$16,000 allowed by the 1989 legislature.

The License Plate factory manufactures vehicle licenses for the State of Montana, providing work for approximately 17 inmates each month. The total current level budget increases slightly from \$434,587 in fiscal 1990 to over \$435,000 of general fund for each year of the 1993 biennium. In addition, \$12,500 of proprietary funds each year are included for the continuation of the collegiate license plate program. House Bill 795 enacted by the 1989 legislature authorized the manufacture of license plates bearing colors and insignia of colleges or universities located in Montana. An application for these plates must be accompanied by a \$2.50 application and manufacturing fee and a \$20 scholarship donation. A minimum of 400 sets of plates for any individual institution must be ordered and pre-paid before manufacture can begin. The minimum number of orders was received, and the first sales are expected on January 1, 1991, for all higher education units except Western and Northern Montana Colleges.

Executive Budget Modifications

Jail Payments

The Executive Budget includes annual general fund of \$66,990 to pay for local jail placement of parole and pre-release violators who have been arrested and are awaiting a due process hearing. Section 7-32-2242, MCA requires the government unit responsible for committing an individual to a local detention center to pay the cost for holding the individual. This request would provide \$38.50 per day for 1,740 days in local facilities.

Jail Placement Alternative

The department adopted a policy providing graduated community-based sanctions as alternatives to incarceration for parole and pre-release violators. One of these sanctions is jail placement for 30 to 60 days. The

Executive Budget includes general fund of \$66,120 each year to provide 1,740 days in local jail facilities at \$38.00 per day.

Medical Cost Increases

The Executive Budget includes general fund increases of \$104,649 in fiscal 1992 and \$164,630 in fiscal 1993 because population increases are projected at the prison and the Women's Correctional Center. These requests for increased medical costs include: 1) fiscal 1992 - \$9,750 for 12.5 female ADP and \$94,899 for 162 male ADP; and 2) fiscal 1993 - \$15,250 for 24.5 female ADP and \$149,380 for 255 male ADP. The requests, averaging approximately \$600 per inmate per year, are less than the actual fiscal 1990 medical cost per ADP of \$626. (The LFA current level budget includes \$27,353 each year [\$626.36 per ADP] for 36 ADP at MSP and 7.67 ADP at SRFC.)

Staffing for Additional Capacity

The Executive Budget includes additional staff for the increasing population at the men's prison as follows: 1) 21.6 FTE and general fund of \$570,878 for an additional 165 ADP in fiscal 1992; and 2) 32.2 FTE and general fund of \$800,791 for an additional 249 ADP in fiscal 1993.

Operating Cost Increases

The Executive Budget includes \$80,858 in general fund for additional operating expenses each year for the care and custody of an additional 48.25 ADP at the men's prison. The request reflects variable costs of \$4.59 per day for each of the additional ADP and would allow care of prisoners up to the maximum capacity of 1,135 ADP. (LFA current level includes variable costs of \$60,706 at MSP and \$20,045 at SRFC for 43.67 additional ADP.)

Targeted Case Managers

The Executive Budget includes general fund of \$65,871 in fiscal 1992 and \$55,830 in fiscal 1993 for 2.0 FTE, an operating budget, and one vehicle to help prison inmates prepare

CORRECTIONS DIVISION

institutional treatment and parole plans. The department anticipates that these targeted case managers will help 600 inmates on "waiver" or "annual review" status shorten the average length of stay and thereby reduce prison overcrowding.

MSP CD Program

The Executive Budget includes 4.0 FTE and \$108,355 in fiscal 1992 and \$104,262 in fiscal 1993 to establish a chemical dependency (CD) program at MSP. In fiscal 1990, 53 MSP inmates were served in the alcohol program at Galen, and 11 were served in the Lighthouse program. If Galen is closed, this modified request would provide chemical dependency services to those inmates. The request assumes that a Galen CD counselor would transfer to MSP. Funding is from the earmarked alcohol tax.

SRFC CD Program

The Executive Budget includes 1.5 FTE and \$39,122 in fiscal 1992 and \$39,053 in fiscal 1993 to establish a chemical dependency program at SRFC. If Galen is closed, this modified request assumes that a Galen CD counselor would transfer to SRFC to provide chemical dependency services to those inmates. Funding is from the earmarked alcohol tax.

Female Correction Population Increase

The number of women in the Women's Correctional Center increased from 50 ADP budgeted by the 1989 legislature to 53 ADP in fiscal 1990. The department expects the center's population to increase to 62.5 ADP in fiscal 1992 and 74.5 ADP in fiscal 1993. To provide services for this increased population, the Executive Budget includes 0.5 FTE nurse, 0.5 FTE chemical dependency counselor, and 1.0 FTE correctional treatment specialist. Personal services costs for the 2.0 additional FTE are approximately \$54,700 each year. Additional operating expenses of \$23,403 in fiscal 1992 and \$45,677 in fiscal 1993 are based on an average daily variable cost of \$5.12 per ADP. The total biennial cost of this budget modification is \$178,460 in general

fund. (The LFA current level budget includes variable cost increases for the 3 ADP increase in fiscal 1990, but it does not include increases for increasing ADP in fiscal 1992 and 1993.)

WCC CD Program

The Executive Budget includes 1.0 FTE and \$28,532 in fiscal 1992 and \$28,468 in fiscal 1993 to establish a chemical dependency program at WCC. If Galen is closed, this modified request assumes that a Galen CD counselor would transfer to WCC to provide chemical dependency services to those inmates. Funding is from the earmarked alcohol tax.

BLS Increase

The Executive Budget includes general fund of \$3,110 each year to provide for increased variable costs at the Billings Life Skills Center. The center was budgeted for 9.6 ADP during the 1991 biennium, but the current population has increased to 12 residents. This request is for \$3.55 per day for the additional 2.4 ADP.

New Women's Pre-Release Center

The Executive Budget includes general fund of \$278,119 in fiscal 1992 and \$237,043 in fiscal 1993 to create an additional 16 bed women's pre-release center. Contracted room and board were estimated by prorating the BLSC budget and adding start-up costs of \$42,000 in fiscal 1992. The department anticipates that this center would help relieve overcrowding at WCC.

Local Jury Sentencing Options

The Executive Budget includes 1.0 FTE, operating costs, and a total budget of \$35,048 in fiscal 1992 and \$35,037 in fiscal 1993 for the creation of a community service program in Missoula. This program would provide a sentencing alternative for selected, non-violent offenders. A Board of Crime Control grant of \$17,500 each year will be matched by general fund.

CORRECTIONS DIVISION

Pre-Release Expansion

The Executive Budget includes general fund of \$486,395 in fiscal 1992 and \$508,145 in fiscal 1993 to increase the current 120 male pre-release beds to 170 beds. This expansion includes the creation of a new 25 bed center and increases of 25 beds in existing centers. This modification, recommended by the Criminal Justice and Corrections Advisory Council (CJCAC), is considered necessary to serve increasing inmate populations.

House Arrest

The Executive Budget includes general fund of \$45,000 each year for contracts with non-profit organizations to supervise inmates in house arrest. House arrest would be available to inmates who have successfully completed all pre-release center program goals prior to their parole eligibility or discharge dates. This program, recommended by CJCAC, would keep inmates under the supervision of the pre-release

centers as they complete transition to community life, while freeing space for other pre-release candidates.

Great Falls ISP Program

The Executive Budget includes 2.5 FTE, \$128,978 in fiscal 1992 and \$71,836 in fiscal 1993 to establish an intensive supervision program in Great Falls. This general fund supported program would be used as an alternative for offenders sentenced to prison and would have a capacity of 25 offenders. Based on the success of similar programs in Billings and Missoula, CJCAC recommended a third program be established in Great Falls.

Probation/Parole Officers

The Executive Budget includes 3.0 FTE and \$132,749 in fiscal 1992, and 4.0 FTE and \$136,586 in fiscal 1993 to expand probation and parole services. This modified request would enhance supervision of those on probation or parole and increase the number of field officers to serve an increasing caseload.

MENTAL HEALTH DIVISION

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	833.27	838.18	783.53	783.53	-54.65
Personal Services	20,238,279	22,844,450	21,324,982	21,442,208	-.73%
Operating Expenses	4,382,151	4,337,851	4,264,456	4,370,514	-.98%
Equipment	68,660	57,016	78,012	77,637	23.85%
Grants	<u>5,433,735</u>	<u>5,594,041</u>	<u>4,813,789</u>	<u>4,813,789</u>	<u>-12.70%</u>
Total Program	\$30,122,825	\$32,833,358	\$30,481,239	\$30,704,148	-2.81%
<u>Fund Sources</u>					
General Fund	26,637,788	29,280,390	28,723,322	28,934,954	3.11%
State Revenue Fund	1,811,830	1,858,289	735,955	747,232	-59.59%
Federal Revenue Fund	<u>1,673,207</u>	<u>1,694,679</u>	<u>1,021,962</u>	<u>1,021,962</u>	<u>-39.31%</u>
Total Funds	\$30,122,825	\$32,833,358	\$30,481,239	\$30,704,148	-2.81%

Division Description

The Mental Health Division includes administrative operations, the Montana State Hospital (MSH) at Warm Springs and Galen, the Center for the Aged (CFA) in Lewistown, and community mental health centers with regional headquarters located in Miles City, Billings, Great Falls, Missoula, and Helena. The purpose of this division, as defined in Section 53-21-101, MCA, is to: 1) secure care and treatment for the seriously mentally ill; 2) provide treatment in a community-based setting when possible; 3) provide treatment in an institution when necessary; and 4) assure that due process of law is accorded any person who is seriously mentally ill.

FTE administrative assistant position at MSH was eliminated because it had been vacant for more than six months. Cost savings due to these FTE reductions are offset by the continuation of the fiscal 1991 pay plan increase in the 1993 biennium and a transfer from contracted services to personal services. During fiscal 1990, personal service appropriation authority at MSH was transferred to contracted services to hire psychiatrists, nurses, and other professionals. Because the agency is recruiting to fill these positions, the current level budget transfers this authority from contracted services back to personal services, resulting in a decrease in operating expense and a corresponding increase in personal services.

Current Level Budget

The current level budget assumes that Galen will continue to operate as it has in the 1991 biennium. The number of FTE decreases because: 1) 1.0 FTE was transferred to Central Operations; 2) 1.0 FTE for the Mental Health Planning Grant was eliminated because the appropriations subcommittee requested exclusion of this budget modification from the 1993 biennium current level; 3) 51.65 FTE from the Galen Chemical Dependency Unit were transferred to the Chemical Dependency Division; and 4) 1.0

Partially offsetting the decreases in operating costs are inflationary increases in food, medical services, drugs, and utilities. Fiscal 1990 operating expenditures exceed the fiscal 1990 appropriation by \$213,645, primarily because of cost increases in supplies, materials, repairs, and maintenance. These increases, including a fiscal 1990 supplemental appropriation of \$54,145 and transfers from equipment, are included in the current level budget. The pharmacy contract with HPI Health Care Services, Inc. (HPI) has been included in current level at fiscal 1990 actual expenditures, and the department's request for increases in

MENTAL HEALTH DIVISION

this contract is discussed in the "Issues" section of Central Operations.

Fiscal 1990 equipment expenses were lower than normal because some of the \$82,152 budget approved by the legislature was spent for supplies, maintenance, and repairs. The Mental Health Administration and MSH requests for equipment and the top seven equipment priorities at CFA are included in the current level budget. Grants decrease 12.7 percent because: 1) the appropriations subcommittee requested that current level exclude the two percent increases in grants to mental health centers for the 1991 biennium and

the Homeless Block Grant funds; and 2) federal Alcohol, Drug Abuse, and Mental Health (ADMS) grants for mental health services have decreased. Executive budget modifications request continuation of the two percent increase in grants to mental health centers and the Homeless Block Grant programs.

State and federal revenue funds decrease because the department reorganization transferred some alcohol earmarked funds and federal ADMS funds for chemical dependency to the Chemical Dependency Division. Additional detail for MSH and CFA is given below.

MONTANA STATE HOSPITAL

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	717.05	724.01	671.36	671.36	-52.65
Personal Services	17,783,236	20,065,583	18,581,949	18,687,192	-1.53%
Operating Expenses	3,677,802	3,572,401	3,553,985	3,643,148	-.73%
Equipment	26,833	57,016	57,000	56,626	35.51%
Total Control	\$21,487,871	\$23,695,000	\$22,192,934	\$22,386,966	-1.34%
<u>Fund Sources</u>					
General Fund	19,688,468	21,849,592	21,472,732	21,655,487	3.83%
State Revenue Fund	1,798,307	1,843,154	719,106	730,383	-60.20%
Federal Revenue Fund	1,096	2,254	1,096	1,096	-34.57%
Total Funds	\$21,487,871	\$23,695,000	\$22,192,934	\$22,386,966	-1.34%

The Montana State Hospital, authorized in Section 53-6-301, MCA, performs three treatment functions: 1) psychiatric care and treatment on the Warm Springs campus; 2) medical care on the Galen campus; and 3) chemical dependency rehabilitative care on the Galen campus. The psychiatric program at Warm Springs serves mentally ill persons who cannot be appropriately treated in community programs. The medical care unit at Galen provides hospital and long-term

care for Montana State Hospital patients who have serious medical conditions and also provides detoxification for chemically dependent admissions. The chemical dependency unit at Galen provides a 28-day alcoholism rehabilitation program and a long-term program for individuals with other drug dependencies. The department is considering closing the Galen campus and providing services at other state facilities or in the community. In

MENTAL HEALTH DIVISION

fiscal 1990, the Warm Springs campus had a licensed capacity of 404 beds and an ADP of 293, while the Galen campus had a

licensed capacity of 305 beds and served 162 ADP. The 1993 biennium current level budget is shown in the Montana State Hospital table.

CENTER FOR THE AGED

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	109.60	108.17	108.17	108.17	.00
Personal Services	2,217,571	2,547,761	2,578,522	2,590,887	8.48%
Operating Expenses	572,179	636,764	638,097	654,815	6.95%
Equipment	<u>30,125</u>	<u>0</u>	<u>20,460</u>	<u>20,460</u>	<u>35.83%</u>
Total Control	\$2,819,875	\$3,184,525	\$3,237,079	\$3,266,162	8.31%
<u>Fund Sources</u>					
General Fund	2,806,352	3,169,390	3,220,230	3,249,313	8.26%
State Revenue Fund	<u>13,523</u>	<u>15,135</u>	<u>16,849</u>	<u>16,849</u>	<u>17.59%</u>
Total Funds	\$2,819,875	\$3,184,525	\$3,237,079	\$3,266,162	8.31%

The Center for the Aged in Lewistown, authorized in Section 53-21-411, MCA, is a residential facility for long-term care and treatment of persons who: 1) are 55 years of age or older; 2) are transferred from Montana State Hospital or referred from Montana mental health centers; 3) have chronic mental disorders related to the aging process; 4) require a level of care not otherwise available in the community; and 5) are not so severe or acute as to require an active treatment program such as that available at Montana State Hospital. In fiscal 1990, the facility had an ADP of 152 and a capacity of 191 beds. The 1993 biennium current level budget is shown in the Center for the Aged table.

Issues

Closure of Galen

The department is recommending that the Galen campus of the Montana State Hospital be closed by July 1, 1991. The

recommendation is based on department findings that show: 1) under-utilization of the facility; 2) care is available at other state and private facilities; 3) the infrastructure is decaying and inefficient; and 4) the facility has difficulty recruiting and retaining staff in medical specialties and the professions. The department estimates that closure of the facility would result in substantial savings. An analysis of these findings is presented below.

As shown in Table 2, the acute care and nursing care portions of the facility were operating at approximately 40 percent of licensed capacity in fiscal 1990. The department estimates that an ADP of 1.2 patients required services in the acute care unit. The remaining 12.74 ADP were patients undergoing medical chemical detoxification. The alcohol and drug treatment programs were operating at 80 to 90 percent of capacity, and the facility as a whole was operating at 53 percent of capacity.

MENTAL HEALTH DIVISION

TABLE 2
Galen Capacity Compared to ADP
Fiscal 1990

<u>Service</u>	<u>Capacity</u>	<u>ADP</u>	<u>% Used</u>
Acute Care	33	13.94	42.2
Nurs. Care	185	71.06	38.4
Alcohol Tr.	72	65.34	90.8
Drug Tr.	<u>15</u>	<u>12.19</u>	<u>81.3</u>
Total	305	162.53	53.3

The Montana mental health institutions also had unused intermediate care capacity in fiscal 1990. As shown in Table 3, Galen has 185 beds that were filled to 38 percent of capacity, Warm Springs has 60 beds that were filled to 78 percent of capacity, and the Center for the Aged (CFA) has 191 beds that were filled to 85 percent of capacity.

TABLE 3
Intermediate Care Licensed Capacity
Fiscal 1990

<u>Service</u>	<u>Capacity</u>	<u>ADP</u>	<u>% Used</u>
Galen	185	71.06	38.4
Warm Spgs.	60	47.00	78.3
CFA	<u>191</u>	<u>162.00</u>	<u>84.8</u>
Total	436	280.06	64.2

The department reviewed 66 patients residing at Galen in fiscal 1990. Based on this review, the department has determined that 13 patients need the

more intensive services of the Warm Springs Long Term Care Unit, 22 need the level of care provided at CFA, and 31 could appropriately be served in nursing homes, group homes, or home living situations. By extrapolating these results to the 71 ADP at Galen, it appears that approximately 14.2 ADP could be transferred to Warm Springs, 23.5 ADP to CFA, and 33.4 ADP to private nursing homes. Proposed transfers would result in utilization of the full capacity at Warm Springs and CFA. Transfers to private nursing homes would be possible, according to the Legislative Auditor's "Galen Closure Proposal" report dated October 3, 1990. This report concluded, based on a state-wide sampling of private nursing homes, that appropriate private space and care are available for additional patients. However, the report noted that the department has "no definite plans for specific patients yet."

Galen offers inpatient chemical dependency treatment (drugs and alcohol) to 77.5 ADP as shown in Table 2, including service to inmates being paroled from the correctional system. The department is requesting that: 1) chemical dependency units be established at the correctional facilities for inmates; and 2) services be contracted in community programs for all other participants in the Galen chemical dependency programs. These proposals, as shown in Table 4, would cost approximately \$2.2 million per year and would represent a shift from inpatient to outpatient chemical dependency services in the correctional facilities and communities. The proposed funding includes approximately \$0.47 million general fund and \$1.71 million earmarked alcohol tax per year.

MENTAL HEALTH DIVISION

TABLE 4
Chemical Dependency
Modified Requests

<u>Expenditure</u>	<u>FY 1992</u>	<u>FY 1993</u>
Women's Cor.	\$28,532	\$28,468
Swan River	39,122	39,053
State Prison	108,355	104,262
Community	<u>2,027,841</u>	<u>2,050,031</u>
Total	<u>\$2,203,850</u>	<u>\$2,221,814</u>
<u>Funding</u>		
General Fund	\$470,102	\$472,175
Alcohol Tax	1,712,553	1,707,742
Fed. ADAM	<u>21,195</u>	<u>41,897</u>
Total	<u>\$2,203,850</u>	<u>\$2,221,814</u>

The department states that decaying inefficient infrastructure at Galen has caused "operating costs to skyrocket." Analysis of costs of utilities and repair and maintenance does not substantiate this statement. Table 5 shows Galen plant operations (primarily utilities) and repair and maintenance for fiscal years 1988 through 1990. Costs in these areas went up in fiscal 1989, but decreased in fiscal 1990 to a level lower than fiscal 1988.

TABLE 5
Galen Operating Costs
Fiscal 1990

<u>Service</u>	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
Plant Op.	\$298,601	\$310,898	\$302,291
Repair/Mnt.	<u>66,241</u>	<u>68,417</u>	<u>47,004</u>
Total	\$364,842	\$379,315	\$349,295

The department stated that the facility has difficulty hiring and retaining staff. The Legislative Auditor reviewed staffing reports and reported in the "Galen Closure Proposal" report that: 1) the average number of vacancies in fiscal 1990 was 8.11 out of 220

positions; and 2) "there does not appear to be an overall problem in recruiting and retaining staff at the Galen facility." That report also noted that if Galen were closed, 188 of the 220 positions would be eliminated and 32 positions would be transferred to Warm Springs.

The department stated that closure of Galen would save the general fund over \$3.0 million dollars annually. The department calculations included savings at MSH and increases in the community chemical dependency treatment program and at CFA. However, the department did not include seven items which impact the net savings. The department:

1) anticipated replacing patients at CFA, rather than increasing the ADP. However, if the ADP is actually increased by 23 patients transferred from Galen, estimated annual variable costs of \$42,800 must be added to the modified request;

2) did not include the state share of medicaid costs in private nursing homes. Assuming that only medicaid eligible patients were transferred to private nursing homes, the estimated general fund medicaid cost for 33 patients is \$180,914 each year. This cost impacts the Department of Social and Rehabilitation Service's budget;

3) did not include an estimated \$47,400 for increased unemployment insurance for the entire department that would result from elimination of 188 positions at Galen;

4) did not estimate any maintenance costs for the closed facility. Those costs are estimated at \$170,000 per year using the average maintenance cost at Twin Bridges Children's Home from 1976 to 1980, inflated to 1990 costs at 6.0 percent annually;

5) did not include a modified request of \$75,000 each year for the Department of Health and Environmental Sciences to provide community-based care for tuberculosis patients;

6) did not include an estimated general fund revenue loss of \$521,066 annually

MENTAL HEALTH DIVISION

in federal medicaid reimbursements for patients transferred from Galen to private nursing homes. The federal funds are currently deposited in the state general fund as reimbursement for services provided at Galen; and

7) did not include the annual general fund loss of \$28,172 in rental income from employee housing at Galen.

Table 6 shows: 1) estimated savings as the difference between the fiscal 1991 MSH general fund appropriation and the fiscal 1992 and 1993 Executive Budget general fund requests; 2) decreases for general fund expenditures resulting from the closure of Galen; and 3) decreases for general fund revenue loss. The estimated net general fund savings is \$1.48 million in fiscal 1992 and \$1.40 million in fiscal 1993.

TABLE 6
Galen Closure
Estimated GF Savings

Expenditure	FY 1992	FY 1993
MSH GF Savgs.	\$3,515,777	\$3,372,575
Com. Chem Mod	(470,102)	(472,175)
CFA - Mods	(499,019)	(432,954)
CFA Var. Cost	(42,800)	(42,800)
Com. Medicaid	(180,914)	(180,914)
UI Rate Inc.	(47,400)	(47,400)
Maint. Cost	(170,000)	(170,000)
Tuberculosis	(75,000)	(75,000)
Gross Savings	\$2,030,542	\$1,951,332
Lost GF		
Med. Reimb.	(521,066)	(521,066)
Rent Reimb.	(28,172)	(28,172)
Net Savings	\$1,481,304	\$1,402,094

In the "Galen Closure Proposal" report, the Legislative Auditor substantiated the existence of annual savings but reported first year closure expenses for unemployment benefits and employee benefits. These one-time costs of approximately \$1.4 million would nearly eliminate fiscal 1992 general fund savings.

Reimbursements from patients treated at Galen are now deposited in the earmarked alcohol tax account. These reimbursements would decrease by approximately \$93,000 each year because patients having private resources would no longer be treated in a state facility.

A Legislative Council legal opinion, based on Section 53-6-301, MCA, says that moving or discontinuing the acute care, intermediate care, and/or chemical dependency programs at Galen may not be accomplished without legislative consent. Therefore, the legislature has two options: 1) it may appropriate funds for the operation of Galen; or 2) it may allow the department to close Galen by: a) amending statutes so that services currently provided at Galen can be provided elsewhere; and b) eliminating the Galen budget and approving requests for additional funds for MSH, CFA, the correctional facilities, and community services.

Executive Budget Modifications

Homeless Block Grants

Federal block grant funds of \$275,000 each year are used to contract with the community mental health centers to provide services for adults with severe disabling mental illnesses who are homeless or in danger of becoming homeless. The 1989 legislature authorized expenditure of these funds through a program expansion for the 1991 biennium but stated that they could not be requested in the current level for the 1993 biennium. Therefore, spending authority for this on-going grant is requested as an Executive Budget modification.

Service Provider Increase

General fund of \$206,545 each year is requested to continue the two percent per year across-the-board increases granted to the community mental health centers during the 1991 biennium. The 1989 legislature, recognizing that the general fund appropriation for mental health centers had not increased in several years, appropriated additional

MENTAL HEALTH DIVISION

general fund to increase the fiscal 1988 general fund and federal grants by two percent each year of the 1991 biennium. These increases were authorized by a program expansion for the 1991 biennium but the legislature required that they be excluded from the 1993 biennium current level. A continuation of the increase authorized by the 1989 legislature is requested in this Executive Budget modification.

Nursing Home Patient Transfer

The Executive Budget includes requests 18.33 FTE and \$499,019 of general fund in fiscal 1992 and 16.53 FTE and \$432,954 of general fund in fiscal 1993 to accommodate the transfer of 50 intermediate care residents from Galen and Warm Springs. These residents will require an increased level of care compared to current residents of the center. Most will be non-ambulatory, incontinent, and exhibit behaviors requiring additional staff time. The 18.33 FTE in fiscal 1992 include direct care personnel and a psychologist, an assistant director of nursing, a recreation therapist, and 2.53 FTE rehabilitation aides. The department expects that a reduced population in fiscal 1993 will allow the elimination of the additional recreation therapist and 0.8 FTE rehabilitation aide. In addition, in order to comply with federal Omnibus Budget Reconciliation Act (OBRA) standards and other requirements, the center expects to contract with a medical director, an

occupational therapist, a psychiatrist, and a speech pathologist. This modification will provide services at CFA if Galen is closed.

Federal Data Grant

The Executive Budget includes federal funds of \$107,100 in fiscal 1992 and \$26,775 in fiscal 1993 to complete the development of a uniform and integrated mental health data system begun by budget amendment in fiscal 1990. These funds are used to: 1) hire a consultant to review and analyze mental health data for community mental health centers and institutions; and 2) develop and enhance computerized data systems for the collection and analysis of uniform mental health client and service data. Fiscal 1990 expenditures from these grants were \$20,898, and expected fiscal 1991 expenditures are \$117,959. This request represents the projected expenditure of a portion of the second year grant and all of the third year grant.

Child and Adolescent Services

The Executive Budget includes federal funds of \$13,547 and 0.25 FTE in fiscal 1992 to provide child and adolescent services. These funds are the continuation of a grant begun by budget amendment in fiscal 1990 and will be used to coordinate agency agreements concerning services to emotionally disturbed children, funding, planning, and comparable client data bases.

CHEMICAL DEPENDENCY DIVISION

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	9.00	9.00	57.65	57.65	48.65
Personal Services	247,266	277,788	1,610,340	1,614,345	514.16%
Operating Expenses	95,877	83,175	98,272	82,730	1.09%
Equipment	0	1,000	738	307	4.50%
Grants	2,025,948	2,072,667	2,141,176	2,141,176	4.48%
Debt Service	900	0	0	0	-100.00%
Total Program	\$2,369,991	\$2,434,630	\$3,850,526	\$3,838,558	60.04%
<u>Fund Sources</u>					
General Fund	215,199	215,200	450,230	450,230	109.22%
State Revenue Fund	320,717	337,741	1,447,320	1,435,352	337.79%
Federal Revenue Fund	1,834,075	1,881,689	1,952,976	1,952,976	5.12%
Total Funds	\$2,369,991	\$2,434,630	\$3,850,526	\$3,838,558	60.04%

Division Description

The Chemical Dependency Division includes chemical dependency administration, alcohol and chemical dependency programs at Montana State Hospital in Galen, and community services. As established in Section 53-24-207, MCA, the department is responsible for establishing comprehensive and coordinated programs for the treatment of chemically dependent persons, intoxicated persons, and their families. Those programs include: 1) emergency treatment; 2) inpatient treatment; 3) intermediate treatment; 4) outpatient treatment; and 5) follow-up services.

Current Level Budget

While the department reorganization split the functions at Galen between the Mental Health and Chemical Dependency divisions, only administration, community services, and personal services for the chemical dependency staff transferred from Galen are budgeted in this program. The entire operating expenses for Galen are shown in the Mental Health Division budget.

Current level personal services increase over 500 percent primarily because: 1) 3.0 FTE administrative personnel were

moved to Central Operations; and 2) 51.65 FTE chemical dependency personnel at Montana State Hospital were transferred into the Chemical Dependency Division. Operating expenses increase 1.1 percent primarily because of a procedural accounting change for federal supplemental security income (SSI). Operating expenses decrease from fiscal 1992 to fiscal 1993 because independent audit costs are budgeted in fiscal 1992 only. Equipment is funded at the agency request. Grants for community chemical dependency programs increase 4.5 percent because federal revenues have increased.

General fund increases over 100 percent because personnel in the Lighthouse program have been transferred to this division. State revenues are earmarked alcohol taxes which increase 337.8 percent because personnel at the Galen alcohol unit are included in this division. Federal funds increase 5.1 percent because federal alcohol, drug, and mental health funds have increased.

Executive Budget Modifications

Alternative Chemical Dependency Services

The Executive Budget includes: 1) 2.0 FTE and \$2,027,841 in fiscal 1992; and 2) 2.75 FTE and \$2,050,031 in fiscal 1993 to fund chemical dependency contracts in the community as an

CHEMICAL DEPENDENCY DIVISION

alternative to the in-house alcohol and drug treatment programs currently located at Galen. The department is recommending closure of Galen by the end of fiscal 1991. Approximately 75 percent of the proposed program funding is from earmarked alcohol funds. The remainder is comprised of the general fund support of the current Lighthouse drug treatment program and federal block grant funds for administration.

Community Youth Activity Demonstration Grant

The Executive Budget includes 1.0 FTE and federal funds of \$507,834 in fiscal 1992, and 0.25 FTE and \$15,749 in fiscal 1993 for a continuation of the community youth activity demonstration grant begun by budget amendment in fiscal 1990. The department received or expects to receive grants totalling \$1,502,529 in successive years, with the last grant extending until August 31, 1992. In this three-year study, funded by the

federal Department of Health and Human Services, nearly 90 percent of the funds are used for contracts with community based prevention programs. The remainder of the funds are used for 1.0 FTE project evaluator and operating expenses to provide technical assistance and on-site evaluations of the community programs.

Chemical Dependency Data Grant

The Executive Budget includes federal funds of \$65,788 in fiscal 1992 and \$16,447 in fiscal 1993 to continue an alcohol and drug abuse data collection system started by budget amendment in fiscal 1990. The department received or expects to receive grants totalling \$191,236 in successive years, with the last grant extending until August 31, 1992. The funds are used to expand and revise Montana's Alcohol and Drug Information System and to implement the new minimum data items required in the Anti-Drug Abuse Act of 1988.

DEVELOPMENTAL DISABILITY DIVISION

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	545.77	545.77	504.79	503.79	-41.98
Personal Services	12,769,136	13,933,009	12,911,703	12,951,517	-3.14%
Operating Expenses	2,128,824	2,160,591	2,051,601	2,130,870	-2.49%
Equipment	58,998	25,760	97,368	103,074	136.49%
Debt Service	14,757	0	36,444	30,872	356.16%
Total Program	\$14,971,715	\$16,119,360	\$15,097,116	\$15,216,333	-2.50%
<u>Fund Sources</u>					
General Fund	14,920,177	16,031,975	15,045,578	15,164,795	-2.40%
State Revenue Fund	29,266	49,700	29,266	29,266	-25.88%
Federal Revenue Fund	22,272	37,685	22,272	22,272	-25.71%
Total Funds	\$14,971,715	\$16,119,360	\$15,097,116	\$15,216,333	-2.50%

Division Description

The Developmental Disabilities Division includes Montana Developmental Center and Eastmont Human Services Center. Administration for this division is budgeted in the Special Services Program of the Central Operations Division.

2. MDC has been unable to hire occupational therapists (OT) and, because population decreases are expected to continue, it requests elimination of one position in fiscal 1992. MDC requests elimination of a second OT position and \$30,694 in personal services and an increase of \$32,760 in contract services in fiscal 1993.

Current Level Budget

The current level budget assumes that Eastmont will continue to serve approximately 55 ADP during the 1993 biennium. MDC's population will be reduced to 155 by the transfer of 30 MDC residents to the new Specialized Services and Support Organization (SSSO) approved by the 1989 legislature. Direct and non-direct care staff in the current level budget are reduced by 29.68 FTE for the reduction of 30 ADP and operating expenses are reduced by \$117,599 each year for this population reduction.

The current level budget also reflects two changes made by the department:

1. A cook-chill food system was purchased for MDC, resulting in an annual increase of \$92,645 in equipment and debt service and annual decreases of 10.3 food service FTE and over \$200,000 in personal services.

The current level budget does not include 6.0 FTE added at Eastmont and 21.5 FTE added at MDC during the 1991 biennium to achieve medicaid recertification as facilities offering intermediate care to the mentally retarded (ICF/MR). These FTE were added administratively and funded by vacancy savings at the respective institutions. Executive Budget modifications request 6.0 additional FTE at Eastmont and 3.83 additional FTE at MDC to maintain ICF/MR certification. Only 3.83 of the 21.5 FTE needed for recertification at MDC are requested in the Executive Budget modification because the department expects MDC to undergo a continual client reduction until its population reaches approximately 100 to 110 ADP. The "downsizing" of MDC results in caseload increases in the Department of Social and Rehabilitation Services (SRS) (see the SRS "Issues" section.) If the legislature does not approve the agency request to "downsize" MDC beyond the 30 ADP transferred to the SSSO, it may wish to add more than 3.83 FTE to the current

DEVELOPMENTAL DISABILITY DIVISION

level budget so that ICF/MR certification can be maintained.

Personal services expenditures decrease 3.1 percent for two major reasons. First, MDC personal services were reduced 5.9 percent when 10.3 FTE food service workers, 29.68 FTE direct and non-direct care personnel, and 1.0 FTE OT in fiscal 1992 and 2.0 FTE OT's in fiscal 1993 were eliminated, as discussed above. Second, Eastmont personal services increase 11.1 percent primarily because: 1) rehabilitation aides were upgraded to resident care aides, as approved by the Department of Administration; 2) changes in worker's compensation modification factors and rates increased personal services benefits over \$70,000 per year; and 3) all positions were fully funded for the 1993 biennium, while vacancy savings occurred in fiscal 1990.

Operating expenses decrease 2.5 percent primarily because: 1) variable costs for the residents transferred from MDC were removed; 2) contracted services were reduced at Eastmont; and 3) inflationary increases in food, medical supplies, and utilities at the two institutions total \$69,691 in fiscal 1992 and \$109,292 in fiscal 1993. During fiscal 1990, personal services appropriation authority was transferred to contracted services to hire a psychologist and a speech pathologist at Eastmont. The current level budget transfers this authority from contracted services back to personal services because Eastmont is attempting to fill these positions, resulting in a decrease in operating expense and a corresponding increase in personal services. Fiscal 1990 actual expenditures for supplies and materials were higher than anticipated, and the department re-

quested a supplemental appropriation of \$90,000 at MDC. The total fiscal 1990 actual expenditures, including the supplemental appropriation, are included in the current level budget. The HPI pharmacy contract at MDC (Eastmont does not contract with HPI) was included in the current level budget at actual fiscal 1990 expenditures. The department's request for increases in this contract is discussed in the Central Operations Division "Issues" section.

Equipment increases 136.5 percent primarily because \$56,202 in fiscal 1992 and \$61,773 in fiscal 1993 are included for principal payments on the cook-chill food system at MDC. Also included in the current level equipment budget is the MDC request for furniture and vehicles and the top 20 equipment priorities at Eastmont. Debt service is for interest payments on the cook-chill food system.

Funding for MDC and Eastmont is primarily general fund. State special revenue consists of \$4,291 in donations and \$24,975 in income from the sale of resident-produced products each year. This revenue, estimated at fiscal 1990 actual receipts, is less than fiscal 1991 appropriations. Federal revenues each year are: 1) Chapter I and II funds of \$13,798 from the Department of Education; and 2) school foods funds of \$8,474 from the Department of Education. These funds are included at fiscal 1990 actual receipts, and total revenue decreases 25.7 percent because actual receipts are less than fiscal 1991 appropriations. Detailed information for both MDC and Eastmont is shown below.

DEVELOPMENTAL DISABILITY DIVISION

MONTANA DEVELOPMENTAL CENTER

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	447.15	447.15	406.17	405.17	-41.98
Personal Services	10,732,746	11,640,768	10,513,450	10,541,032	-5.90%
Operating Expenses	1,810,062	1,844,208	1,748,597	1,822,796	-2.27%
Equipment	39,876	25,000	81,067	86,773	158.71%
Debt Service	14,757	0	36,444	30,872	356.16%
Total Control	\$12,597,441	\$13,509,976	\$12,379,558	\$12,481,473	-4.78%

Fund Sources

General Fund	12,546,541	13,423,291	12,328,658	12,430,573	-4.66%
State Revenue Fund	28,628	49,000	28,628	28,628	-26.24%
Federal Revenue Fund	22,272	37,685	22,272	22,272	-25.71%
Total Funds	\$12,597,441	\$13,509,976	\$12,379,558	\$12,481,473	-4.78%

The Montana Developmental Center in Boulder provides treatment and habilitation for profoundly mentally retarded individuals. Admission pro-

cedures and basic guidelines for care, treatment, and training are found in Title 53, Chapter 20, MCA. The fiscal 1990 ADP was 181, compared to 195 in fiscal 1988.

EASTMONT HUMAN SERVICES CENTER

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	98.62	98.62	98.62	98.62	.00
Personal Services	2,036,390	2,292,241	2,398,253	2,410,485	11.09%
Operating Expenses	318,762	316,383	303,004	308,074	-3.79%
Equipment	19,122	760	16,301	16,301	63.98%
Total Control	\$2,374,274	\$2,609,384	\$2,717,558	\$2,734,860	9.41%
<u>Fund Sources</u>					
General Fund	2,373,636	2,608,684	2,716,920	2,734,222	9.41%
State Revenue Fund	638	700	638	638	-4.63%
Total Funds	\$2,374,274	\$2,609,384	\$2,717,558	\$2,734,860	9.41%

DEVELOPMENTAL DISABILITY DIVISION

The Eastmont Human Services Center in Glendive is a state facility for mentally retarded individuals. This facility, authorized in Section 53-20-502, MCA, as an extension of the Montana Developmental Center, provides intermediate nursing care, treatment, and education. The center's goal is to maintain and improve individual skills so that residents can function in the community. The staff at Eastmont emphasize cooperation with community groups and agencies and the education of the public regarding developmental disabilities and mental retardation. Fiscal 1990 capacity was 55 beds and actual ADP was 54.

Executive Budget Modifications

ICF/MR Certification at MDC

In 1989, a Department of Health and Environmental Sciences (DHES) survey noted major deficiencies at MDC, especially in program management and client care. The department was required to improve services or risk decertification and the loss of medicaid reimbursements. To address the deficiencies, the department added 21.5 FTE. In April 1990, based on the improved services provided by the additional staff, DHES certified MDC as an intermediate care facility for the mentally retarded. If the legislature approves the department request to "downsize" MDC, funding for 21.5 additional FTE will not be needed. This Executive Budget modification requests an additional 3.83 FTE and general fund of \$91,100 in fiscal 1992 and 2.0 FTE

and general fund of \$46,564 in fiscal 1993 to maintain certification in the "downsized" facility. If the legislature does not approve the "downsizing", it may wish to consider adding more than 3.83 FTE to maintain certification.

ICF/MR Certification at Eastmont

In November 1989, a DHES survey noted major deficiencies at Eastmont, especially in staff training and active treatment for the patients. The department was required to improve services or risk decertification and the loss of \$1.3 million per year in medicaid reimbursements. To address the deficiencies, the department added 1.0 FTE training and developmental specialist, 1.0 FTE habilitation training specialist, 1.0 FTE rehabilitation aide, and 3.0 FTE resident care aides. Based on the improved services provided by the additional staff, in April 1990, DHES certified Eastmont as an intermediate care facility for the mentally retarded. The FTE were funded by vacancy savings in fiscal 1990 and 1991.

The department does not feel that it can fund these additional FTE from vacancy savings in the next biennium because it expects to fill vacant professional positions, which are also required to maintain ICF/MR certification. Therefore, the Executive Budget includes the 6.0 additional FTE at a general fund cost of \$139,510 in fiscal 1992 and \$139,900 in fiscal 1993 in order to maintain ICF/MR certification at Eastmont.

VETERAN'S HOME DIVISION

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	86.40	85.89	85.89	85.89	.00
Personal Services	1,788,265	2,021,105	1,989,325	2,000,588	4.74%
Operating Expenses	598,172	620,776	628,389	645,991	4.55%
Equipment	<u>790</u>	<u>0</u>	<u>6,082</u>	<u>5,524</u>	<u>1369.11%</u>
Total Program	\$2,387,227	\$2,641,881	\$2,623,796	\$2,652,103	4.91%
<u>Fund Sources</u>					
General Fund	512,480	784,913	725,773	715,483	11.09%
State Revenue Fund	1,104,733	1,061,056	1,128,012	1,166,609	5.95%
Federal Revenue Fund	<u>770,014</u>	<u>795,912</u>	<u>770,011</u>	<u>770,011</u>	<u>-1.66%</u>
Total Funds	\$2,387,227	\$2,641,881	\$2,623,796	\$2,652,103	4.91%

Division Description

The Veterans' Home Division includes the Montana Veterans' Home in Columbia Falls and a potential new home in Glendive. These facilities, as authorized in Sections 10-2-401 through 10-2-404, MCA, provide nursing and/or domiciliary care for qualified veterans. Spouses of eligible veterans are also admitted when space is available. Administration for this division is budgeted in the special services program of the Central Operations Division.

The Columbia Falls facility contains 61 domiciliary and 90 nursing care beds. Fiscal 1990 ADP of 124 included 38 ADP in domiciliary and 86 ADP in nursing care, compared to 49 ADP in domiciliary and 83 ADP in nursing care in fiscal 1988.

Current Level Budget

Personal services increase 4.7 percent, primarily because vacancy savings realized in fiscal 1990 is not budgeted in the 1993 biennium. The major reasons operating expenses increase 4.6 percent are: 1) inflationary increases in medical services add approximately \$3,000 in fiscal 1992 and \$6,000 in fiscal 1993; 2) inflationary increases for supplies (primarily drugs and food) add over \$18,000 in fiscal 1992 and \$31,000 in fiscal 1993; 3) inflationary

increases for utilities add approximately \$4,500 in fiscal 1992 and \$6,245 in fiscal 1993; and 4) an increase of \$6,000 raises the canteen spending authority to the fiscal 1991 appropriated level. Fiscal 1990 equipment expenses were lower than normal because most of the \$11,654 budget approved by the legislature was spent for laundry, physicians contracts, and supplies. These operational costs are expected to continue during the 1993 biennium. The agency request for equipment is included in the current level budget.

Third party and private reimbursements for care are expected to increase slightly as residents' incomes increase. However, federal Veterans' Administration reimbursement is estimated at the fiscal 1990 actual amount, resulting in a decrease of 1.7 percent during the 1993 biennium. If Veterans' Administration reimbursement exceeds the appropriated amount, the general fund appropriation will be reduced administratively so that federal funds are spent lieu of general fund. If, however, reimbursements remain at fiscal 1990 levels, the general fund share of the budget will increase from 21.5 percent in fiscal 1990 to 27.7 percent in fiscal 1992. Lease revenue from the facility's agricultural lands is anticipated to be higher than projected by the agency.

VETERAN'S HOME DIVISION

Issues

Glendive Veteran's Home

House Bill 202, enacted by the 1989 legislature, increased the cigarette tax by 2.0 cents per package to fund the state portion of a new 100 bed veteran's nursing home in eastern Montana. A committee appointed by the Governor selected Glendive as the site for the new home. The home, approved by the federal government, is low on the federal priority list and may not be built and put into operation in the 1993 biennium. Therefore, no operating budget is included for the new home.

This new home may encounter staffing and low occupancy rate difficulties. The department has tried for five years, without success, to fill a nursing position at Eastmont in Glendive, and the new 100-bed home would require even more nurses. While the Veteran's Nursing Home in Columbia Falls is full, there were only seven patients on the waiting list in December, 1990. The legislature may wish to request that the department submit a detailed operational plan for the proposed facility, including plans for securing private and federal funding, staffing the facility, and filling the beds.

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

MONTANA ARTS COUNCIL

<u>Budget Item</u>	Executive Current Level		LFA Current Level		Executive Over (Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	7.97	7.97	7.97	7.97	0.00
Personal Services	225,935	225,578	225,935	225,578	0
Operating Expenses	203,350	206,030	183,347	183,662	42,371
Grants	<u>166,709</u>	<u>166,709</u>	<u>173,723</u>	<u>173,747</u>	<u>(14,052)</u>
Total Agency	\$595,994	\$598,317	\$583,005	\$582,987	\$28,319
<u>Fund Sources</u>					
General Fund	133,695	134,476	129,227	129,216	9,728
State Revenue Fund	119,830	120,239	101,778	101,771	36,520
Federal Revenue Fund	<u>342,469</u>	<u>343,602</u>	<u>352,000</u>	<u>352,000</u>	<u>(17,929)</u>
Total Funds	\$595,994	\$598,317	\$583,005	\$582,987	\$28,319

Executive Budget Comparisons

The Executive Budget current level exceeds the LFA current level budget by \$28,319 for the biennium. The primary reason for this difference is funding for the Artist in the Schools program. The Executive Budget biennial request of \$181,684 for this program is based upon the appropriated level for fiscal 1991, which is \$41,498 higher than the LFA current level budget (based on fiscal year 1990 actual expenditures).

The LFA current level budget includes \$7,908 more during the biennium for postage and telephone costs, reflecting actual fiscal 1990 expenditures. Similarly, LFA current level travel reflects fiscal 1990 expenditures, which are near the average costs during the last three years. The Executive Budget,

which is based on fiscal 1991 appropriations, contains \$21,021 less for travel during the biennium. The LFA includes approximately \$11,000 each year to continue a contract for public information services. This amount was based upon the fiscal 1991 contract, with an allowance for inflation. The Executive Budget recommends \$22,200 per year for contracted services based upon fiscal 1991 appropriated levels.

The LFA budget for federal funds is based upon the actual grant award for fiscal 1991 (\$352,000). The Executive Budget includes \$17,929 less federal funds during the biennium.

Executive Budget Modification

In addition to the current level budget, the Executive Budget includes \$70,000 each year in federal grant authority.

MONTANA ARTS COUNCIL

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	7.97	7.97	7.97	7.97	.00
Personal Services	213,218	225,725	225,935	225,578	2.86%
Operating Expenses	178,554	193,519	183,347	183,662	-1.36%
Equipment	3,374	0	0	0	-100.00%
Grants	<u>178,856</u>	<u>166,709</u>	<u>173,723</u>	<u>173,747</u>	<u>.55%</u>
Total Agency	\$574,002	\$585,953	\$583,005	\$582,987	.52%
<u>Fund Sources</u>					
General Fund	131,169	128,524	129,227	129,216	-.48%
State Revenue Fund	94,159	112,582	101,778	101,771	-1.54%
Federal Revenue Fund	<u>348,674</u>	<u>344,847</u>	<u>352,000</u>	<u>352,000</u>	<u>1.51%</u>
Total Funds	\$574,002	\$585,953	\$583,005	\$582,987	.52%

Agency Description

As authorized by Section 22-2-101, MCA, the Montana Arts Council exists to encourage the study and presentation of the arts in Montana and to stimulate public interest and participation. It cooperates with public and private institutions engaged in artistic and cultural activities, in all disciplines; recommends appropriate methods to encourage participation in and appreciation of the arts, which meet the needs and aspirations of persons in all parts of the state; fosters interest in the state's cultural heritage and expands the state's cultural resources; and encourages and assists freedom of artistic expression essential for the well-being of the arts through on-going programs, council initiated projects. Under Section 22-2-301, MCA, the council administers the Cultural & Aesthetic Projects biennial grants program, in which applications are reviewed by a citizens' advisory panel and final allocations are made by the legislature.

plan increases in fiscal 1991 which is continued into the 1993 biennium. Operating inflationary adjustments add \$2,280 in fiscal 1992 and \$2,537 in fiscal 1993. This small increase is offset by no equipment budgeted in the 1993 biennium in accordance with the agency's request. Federal funding includes a \$352,000 grant anticipated from the National Endowment for the Arts (NEA).

Executive Budget Modification

Cultural and Aesthetics Grants

The Executive Budget includes an additional \$70,000 for the biennium in federal grant authority for National Endowment for the Arts funds. This grant is to be matched by a \$70,000 grant for the biennium from the state Cultural and Aesthetic grant program. These funds will then be awarded as rural arts initiative grants and for art education programs in Montana's public schools.

Current Level Budget

The agency's current level budget increases 0.5 percent over the previous biennium due primarily due to the pay

The agency's grant request from the Cultural and Aesthetic grant program is included in the Executive budget's recommendation at \$35,000 for the biennium, ranked 14th in priority.

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

LIBRARY COMMISSION

<u>Budget Item</u>	<u>Executive Current Level</u>		<u>LFA Current Level</u>		<u>Executive Over (Under) LFA</u>
	<u>Fiscal 1992</u>	<u>Fiscal 1993</u>	<u>Fiscal 1992</u>	<u>Fiscal 1993</u>	
FTE	28.50	28.50	28.50	28.50	0.00
Personal Services	748,384	747,597	749,556	748,769	(2,344)
Operating Expenses	489,317	492,426	470,142	472,398	39,203
Equipment	110,552	115,785	118,641	123,294	(15,598)
Grants	<u>1,013,315</u>	<u>1,010,386</u>	<u>512,000</u>	<u>502,000</u>	<u>1,009,701</u>
Total Agency	\$2,361,568	\$2,366,194	\$1,850,339	\$1,846,461	\$1,030,962
<u>Fund Sources</u>					
General Fund	935,085	942,640	636,451	642,628	598,646
State Revenue Fund	396,661	393,732	398,888	388,833	2,672
Federal Revenue Fund	<u>1,029,822</u>	<u>1,029,822</u>	<u>815,000</u>	<u>815,000</u>	<u>429,644</u>
Total Funds	\$2,361,568	\$2,366,194	\$1,850,339	\$1,846,461	\$1,030,962

Executive Budget Comparison

The Executive Budget current level exceeds the LFA current level budget for the 1993 biennium by \$1,030,962. This difference is primarily due to grants to local libraries. The Executive Budget current level for grants exceeds that of the LFA by \$1,009,701 for three reasons:

- 1) The LFA current level budget includes federal grants at the fiscal actual 1990 level. The Executive Budget is based upon the 1991 appropriated level.
- 2) Anticipated coal severance tax revenues for local library services are reduced in both budgets due to the scheduled tax reduction in fiscal 1992. The LFA estimates \$7,393 lower revenues for the biennium from this source than the Executive Budget.
- 3) The Executive Budget includes \$566,000 general fund support for aid to local libraries during the biennium. The LFA current level budget does not include this general fund support, as discussed below in "Issue".

Personal services costs are virtually the same in the LFA and OBPP current level budgets. The LFA current level budget includes \$3,000 per year in per diem, as requested by the Commission,

while the Executive Budget includes \$1,900 per year. The differences in operating costs are due to the difference in bases: the LFA current level reflects fiscal 1990 expenditures, while the Executive Budget reflects fiscal 1991 appropriated levels. Both budgets include approximately \$60,000 per year in contracted services above fiscal 1990 expenditures in the Natural Resources Information System program, in response to the proposed new method of budgeting this program (see program narrative).

The LFA current level includes \$7,476 more than the Executive Budget during the biennium for purchase of library books and \$8,122 more for personal computers, a voices synthesizer to assist in providing services for the blind and handicapped, and other office equipment.

Both budgets include "core" program funding for the Natural Resource Information Services at virtually the same level.

Issue

The Executive Budget current level includes \$400,000 general fund to reimburse libraries for inter-library loan lending and \$166,000 to provide a base grant for each public library to

LIBRARY COMMISSION

provide support for federation libraries, continuing the amount appropriated during the 1989 legislature in House Bill 193. While this bill provides a mechanism for providing state aid, it did not earmark funds for this purpose and appropriated general funds for the 1991 biennium only. For this reason, the LFA did not include these funds in the 1993 biennium current level budget.

Executive Budget Modifications

In addition to the current level budget, the Executive Budget contains \$692,125 and 1.0 FTE in modified budget requests for the State Library Commission. These budget modifications are listed in the following agency narrative and discussed in more detail in program narratives.

LIBRARY COMMISSION

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	28.76	29.35	28.50	28.50	-.85
Personal Services	672,389	756,300	749,556	748,769	4.87%
Operating Expenses	469,496	465,784	470,142	472,398	.78%
Equipment	164,203	122,540	118,641	123,294	-15.63%
Grants	546,590	742,154	512,000	502,000	-21.32%
Debt Service	59,576	61,801	0	0	-100.00%
Total Agency	\$1,912,254	\$2,148,579	\$1,850,339	\$1,846,461	-8.97%
<u>Fund Sources</u>					
General Fund	569,230	628,799	636,451	642,628	6.77%
State Revenue Fund	496,125	488,866	398,888	388,833	-20.03%
Federal Revenue Fund	846,899	1,030,914	815,000	815,000	-13.20%
Total Funds	\$1,912,254	\$2,148,579	\$1,850,339	\$1,846,461	-8.97%

Agency Description

As authorized in Title 22, Chapter 1, MCA, the Montana State Library is responsible for providing assistance and advice to all tax-supported libraries and to citizens and local governments that may wish to establish and improve libraries. It administers certain state and federal funding to libraries throughout Montana. It administers the State Library, which: 1) provides information service to state government; 2) provides referral and back-up service to all libraries in the state; 3) provides direct library service to all blind and physically handicapped Montana residents; 4) is responsible for distribution centers of state documents; 5) is responsible for the Natural Resource Information System and the Natural Heritage Program under Section 90-15-101, MCA; and 6) aids in the development of library services statewide. It also oversees the six federations of libraries, does policy development, and long-range planning and coordination of library service throughout the state.

Current Level Budget

The current level budget decreases 9.0 percent in the 1993 biennium primarily as a result of two factors. First, the level of federal authority has been reduced from the fiscal 1991 appropriated amount to a level more in keeping with historical trends. Second, the Natural Resource Information Service (NRIS) program has been reduced to a level which reflects a "core" funding level, which does not include the costs of activity generated by contracts with system users. This concept is detailed under the NRIS program description. The general fund has increased due to increased personal services. The coal tax revenues earmarked for library services are projected to decline from \$396,000 during the 1991 biennium to \$302,000 in the 1993 biennium.

The Executive Budget includes the budget modifications listed in the following table. These modifications are discussed in the program narratives.

LIBRARY COMMISSION

Executive Budget Modifications

1993 Biennium

<u>Budget Modifications</u>	<u>FTE FY92</u>	<u>FTE FY93</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
1) Blind & Physically Handicapped	1.0	1.0	\$42,125	\$ 0	\$ 42,125
2) Legislative Contract Authority	<u>0.0</u>	<u>0.0</u>	<u>0</u>	<u>650,000</u>	<u>650,000</u>
Total	1.0	1.0	\$42,125	\$650,000	\$692,125

STATE LIBRARY OPERATIONS

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	24.71	24.50	24.50	24.50	.00
Personal Services	570,850	636,733	640,201	639,325	5.96%
Operating Expenses	320,216	334,444	328,609	331,009	.76%
Equipment	130,151	100,290	113,641	118,294	.65%
Grants	546,590	742,154	512,000	502,000	-21.32%
Total Program	\$1,567,807	\$1,813,621	\$1,594,451	\$1,590,628	-5.81%
<u>Fund Sources</u>					
General Fund	569,230	628,799	636,451	642,628	6.77%
State Revenue Fund	203,689	170,000	158,000	148,000	-18.11%
Federal Revenue Fund	794,888	1,014,822	800,000	800,000	-11.59%
Total Funds	\$1,567,807	\$1,813,621	\$1,594,451	\$1,590,628	-5.81%

Program Description

The Library Operations Program provides information services to state government and provides referral and back-up services to all libraries in the state. Information services include reference and research, books, magazines, government publications, reader's advisory, and database searching. This program administers the state documents depository system and also functions as a partial depository for federal government publications. Because of the central role of its collection, the State Library works to coordinate the development of library collections throughout the state. Overall administration handles the budgetary, personnel, and coordination functions of the State Library. Staff consultation and services are provided to individual libraries, and direction is given to the six federations of libraries throughout Montana. Library services to Montana residents under state care in correctional, psychiatric, or other institutions are also provided, as well as coordination and monitoring of federal funding for libraries and of the coal severance tax funding for the library federations. Public library services for blind, visually and physically handicapped Montanans who are unable to read standard print are provided by the Montana State Library

for the Blind and Physically Handicapped.

Current Level Budget

The 6.0 percent increase in personal services over the present biennium is due to vacancy savings in fiscal 1990 and the continuation of the fiscal 1991 pay plan increase included in the 1993 biennium. Operating expenses increase due to inflationary adjustments and fixed costs. The biennial equipment budget includes \$221,800 for library books and \$10,000 for other equipment. Projected coal tax revenue earmarked for state library networking (Section 15-35-108, MCA) is projected to decline from \$199,000 in fiscal 1990 to \$156,000 in fiscal 1992 and \$146,000 in fiscal 1993, reducing the amount that will be distributed to local libraries. Federal funds have been continued at the fiscal year 1990 level.

Executive Budget Modifications

Montana State Library for the Blind and Physically Handicapped

The Montana State Library for the Blind and Physically Handicapped loans cassettes, records, and braille formatted books and magazines, as well as playback machines such as record and cassette players, to visually and

STATE LIBRARY OPERATIONS

physically handicapped Montanans. Over the last ten years, the library has experienced a 93 percent increase in the number of books loaned and a 36 percent increase in readers with no increase in staff. Consequently, the library has relied on volunteers to perform much of

the functions. The library requests the addition of a 1.0 FTE grade 7 library clerk plus related expenses to replace volunteer work being done. Equipment of \$2,790 is included in fiscal 1992 only. The biennial cost of this modification is \$42,125 in general fund.

NATURAL RESOURCE INFORMATION SERVICES

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	4.05	4.85	4.00	4.00	-.85
Personal Services	101,539	119,567	109,355	109,444	-1.04%
Operating Expenses	149,280	131,340	141,533	141,389	.82%
Equipment	34,052	22,250	5,000	5,000	-82.24%
Debt Service	<u>59,576</u>	<u>61,801</u>	<u>0</u>	<u>0</u>	<u>-100.00%</u>
Total Program	\$344,447	\$334,958	\$255,888	\$255,833	-24.68%
<u>Fund Sources</u>					
State Revenue Fund	292,436	318,866	240,888	240,833	-21.20%
Federal Revenue Fund	<u>52,011</u>	<u>16,092</u>	<u>15,000</u>	<u>15,000</u>	<u>-55.95%</u>
Total Funds	\$344,447	\$334,958	\$255,888	\$255,833	-24.68%

Program Description

The Natural Resource Information Services Program is designed to streamline management of the state's natural resource data and provide a standard system for the acquisition, storage, and retrieval of data statewide. It inventories existing data, provides access to data, and assists other state agencies in managing data. It is responsible for coordinating and consulting with other state agencies on the geographic information system and the rivers' study. This program also provides a water information system database. The program also administers the Montana natural heritage program, a database on rare or exemplary plants, animals, communities, and geological features.

Current Level

The current level presented here represents a base level or "core" program level which the agency feels represents the minimum at which they can operate and still maintain the basic services required to sustain the data bank system. The fiscal 1990 actual figures shown do not represent the total operating costs of this program because, in addition to the funds appropriated in the general appropriations bill, the NRIS program receives grants from the renewable resource grant program, which

is funded with 8.0 percent of resource indemnity trust fund interest earnings. These grants have historically been the primary funding source of the program. Since RIT grants are appropriated for the biennium only, they are not considered current level funding base. The current level for the 1993 biennium shown above is being funded from state and federal special revenue accounts, which derive revenue from contracts with state and federal agencies to provide services. The Executive Budget is proposing a new method of funding this service, which is explained below.

Issue

The Executive Budget funding for the "core" program during the 1993 biennium includes: 1) a \$377,000 appropriation directly from one or more of three RIT accounts (water development, renewable resource development, or reclamation and development); 2) \$100,000 from the Department of Fish, Wildlife, and Parks; and 3) \$30,000 from the federal Office of Surface Mining. These sources have provided funding for this program in the past. The RIT request is not a change in the source of funds for this program, only in the process by which it receives the appropriation. From its inception, the NRIS program has received grants from the RIT accounts. The RIT grant requests are reviewed by the Long Range Building subcommittee of the legislature. The joint House-Senate

NATURAL RESOURCE INFORMATION SERVICES

appropriation subcommittee responsible for the state library appropriations does not review the RIT request. If this change is approved, the State Library's complete budget request would be considered by one subcommittee. If the legislature adopts this appropriation process, RIT funds available for grants would be reduced by the level appropriated to the Library Commission. The agency is also requesting RIT funds through the grant process. The Executive Budget includes four grant requests from the Library Commission:

Water Development: Drought monitoring system--\$58,364
Renewable Resource Development: Montana water information system--\$99,866
Heritage program--\$99,760
Reclamation and Development: NRIS--\$227,600

If the legislature chooses to appropriate directly from the RIT accounts for the operations of this program, these grant requests will be withdrawn.

Executive Budget Modifications

Contract Authority

During the 1991 biennium, funding for the ongoing "core" Natural Resource Information System was provided from the renewable resource and reclamation

development accounts, as well as \$25,000 of Department of Fish, Wildlife, and Parks (DFWP) license fees. Funding for specific contracts was provided from the following:

- 1) House Bill 100 included \$380,764 of contract authority expected in the 1991 biennium based upon known and anticipated contracts; and
- 2) the library added additional contract authority of \$47,578 in fiscal 1990 through the budget amendment process for contracts not anticipated during the 1989 legislative session.

This budget modification would add \$325,000 in state special and federal revenue each year in Legislative Contract Authority (LCA), patterned after LCA in the Department of Fish, Wildlife, and Parks to fund contracts as they were signed. This process would eliminate the need for budget amendments for contracts exceeding the amount anticipated during the legislative session up to the LCA limit, speeding the contracting process. The agency requests that it be allowed to transfer authority between fiscal years as well as between state special revenue and federal revenue funds.

If the legislature approves the requested LCA, it may want to consider imposing reporting requirements similar to those imposed on DFWP.

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

HISTORICAL SOCIETY

Budget Item	Executive Current Level		LFA Current Level		Executive Over(Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	48.28	48.28	46.78	46.78	1.50
Personal Services	1,295,036	1,293,808	1,261,795	1,260,492	66,557
Operating Expenses	788,171	794,570	686,107	691,059	205,575
Equipment	21,405	22,061	17,443	17,964	8,059
Grants	350,000	350,000	201,546	201,546	296,908
Transfers	48,069	48,439	48,069	48,069	370
Debt Service	0	0	900	900	(1,800)
Total Agency	\$2,502,681	\$2,508,878	\$2,215,860	\$2,220,030	\$575,669
<u>Fund Sources</u>					
General Fund	1,222,917	1,225,888	1,234,739	1,235,834	(21,768)
State Revenue Fund	194,628	194,289	88,042	88,349	212,526
Federal Revenue Fund	608,645	609,127	446,049	446,049	325,674
Proprietary Fund	476,491	479,574	447,030	449,798	59,237
Total Funds	\$2,502,681	\$2,508,878	\$2,215,860	\$2,220,030	\$575,669

Executive Budget Comparison

The Executive Budget current level for the 1993 biennium is \$576,669 higher than the LFA current level budget for three major reasons:

1) The Executive Budget is based on fiscal 1991 appropriated levels, which are significantly higher than fiscal 1990 actual expenditures. After removing one-time expenditures of \$118,585, the LFA budget is based upon fiscal 1990 actual expenditures of \$2,044,000. The Executive Budget is based upon the fiscal year 1991 appropriated level of \$2,507,000. This difference is apparent throughout the budget. For example, the Executive Budget includes \$44,923 per year for printing (the amount appropriated for fiscal 1991). The LFA current level printing budget of \$32,530 per year is based on actual fiscal 1990 expenditures. Similarly, the Executive Budget includes \$55,774 per year to buy merchandise for resale, based on the fiscal 1991 appropriation. The LFA budget is based on the \$43,168 spent for this purpose in fiscal 1990.

2) The Executive Budget includes 1.5 FTE and approximately \$49,250 per year which is also authorized by a statutory appropriation. Since statutory appropriations are not included in the general appropriation bill, the LFA current level budget does not include these funds or FTE.

3) The Executive Budget includes approximately \$150,000 more federal funds per year than the LFA budget. The LFA federal funding is based upon information from the National Park Service regarding fiscal year 1992 award estimates. The amount of federal funding contained in the Executive Budget has not been received for the last two biennia.

Despite the significantly higher level of budgeted expenditures, the Executive Budget includes less general fund than the LFA current level because it includes more than \$106,000 per year in donated funds--approximately \$50,000 more per year than the LFA budget. While the Historical Society has received large donations for special projects, the donations that can be used for normal operating costs have averaged approximately \$67,000 during the past four years. If the normal operating budget is funded with donations that do

HISTORICAL SOCIETY

not materialize, the agency may have to cut back operations substantially or seek a general fund supplemental.

Executive Budget Modifications

In addition to the current level budget, the Executive Budget contains \$136,108

in budget modifications. These modifications are listed in the following agency narrative and discussed in more detail in the program narratives.

HISTORICAL SOCIETY

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	49.28	48.78	46.78	46.78	-2.00
Personal Services	1,180,018	1,321,656	1,261,795	1,260,492	.82%
Operating Expenses	725,855	761,754	686,107	691,059	-7.43%
Equipment	77,151	31,939	17,443	17,964	-67.54%
Grants	134,616	350,000	201,546	201,546	-16.82%
Transfers	45,879	41,320	48,069	48,069	10.25%
Debt Service	71	0	900	900	2435.21%
Total Agency	\$2,163,590	\$2,506,669	\$2,215,860	\$2,220,030	-5.02%
<u>Fund Sources</u>					
General Fund	1,150,705	1,233,401	1,234,739	1,235,834	3.63%
State Revenue Fund	200,286	230,547	88,042	88,349	-59.06%
Federal Revenue Fund	397,089	596,972	446,049	446,049	-10.26%
Proprietary Fund	415,510	445,749	447,030	449,798	4.13%
Total Funds	\$2,163,590	\$2,506,669	\$2,215,860	\$2,220,030	-5.02%

Agency Description

The Montana Historical Society exists for the use, learning, culture, and enjoyment of the citizens of the state and for the collection, preservation and interpretation of Montana's material culture including artifacts, art, documents and records. The society maintains a library, an art gallery, a museum, and historical exhibits; publishes the state historical magazine, a newsletter and other historical works; and provides educational information for travelers and the general public. The agency also administers the National Historic Preservation Act and the State Antiquities Act. The Historical Society was established in 1865 and is authorized in Section 22-3-101, MCA.

Current Level Budget

The agency's current level budget decreases by 5.0 percent and 2.0 FTE. This decrease is due to: 1) the removal of one-time expenditures in the 1991 biennium for restoration of the old Governor's mansion and special donations to automate the archival data and photo cataloging; 2) removal of statutorily appropriated accommodations tax revenue

from the 1993 biennium current level; and 3) a reduction in federal funding.

The removal of the accommodations tax revenue and personal services (1.5 FTE) and operating expenses it funds reflects budgeting procedures rather than actual elimination of the positions. The 1.0 percent of accommodations tax which is statutorily allocated to the Society for the installation or maintenance of roadside historical signs and historic sites (Section 15-65-121, MCA) was appropriated in House Bill 100 for the 1991 biennium. Because it is a statutory appropriation, it does not need to be included in the general appropriation bill. For that reason, it is not included in the LFA current level. The statutory appropriation will continue the funding for the FTE and operating costs during the 1993 biennium.

Despite the removal of 2.0 FTE from the current level budget, total personal services increase slightly as a result of vacancy savings which occurred in fiscal 1990 not being budgeted in the 1993 biennium and continuation of 1991 pay plan increases in the 1993 biennium. Operating expenses decrease from fiscal 1990 levels. Equipment declines due to one time expenditures during the 1991 biennium for computer installations

HISTORICAL SOCIETY

funded by special donations. The transfer reflects the general fund support for the publication Montana, the Magazine of Western History. The general fund is transferred into the proprietary account from which the magazine operates.

The Historical Society is primarily supported by general fund. Other funding sources include federal National Park Service funds, state special revenue funds from donations and trust fund interest earnings, and propriety

funds generated by the sales of various publications and museum store sales. The general fund increases by 3.6 percent as a result of increased personal services costs, which are funded predominately from the general fund. The decline in the state special revenue funds results from the elimination of one-time appropriations and the removal of the statutory appropriation. Proprietary funds are increased to current level operating requirements.

Executive Budget Modifications

1993 Biennium

<u>Budget Modifications</u>	<u>FTE FY92</u>	<u>FTE FY93</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
1) Trustees reimbursement			\$15,308		\$ 15,308
2) Security improvement			30,000		30,000
3) Milwaukee mitigation				\$13,500	13,500
4) Computer (Magazine)				5,900	5,900
5) Computers (Historical Sites)				11,400	11,400
6) Proprietary fund increase	—	—	—	<u>60,000</u>	<u>60,000</u>
Total	0.0	0.0	\$45,308	\$90,800	\$136,108

The Executive Budget includes the budget modifications listed above. These pro-

posed budget modifications are discussed in the program narrative.

ADMINISTRATION PROGRAM

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	15.38	15.38	12.00	12.00	-3.38
Personal Services	363,678	422,109	334,683	334,612	-14.83%
Operating Expenses	280,663	275,015	241,490	243,414	-12.74%
Equipment	400	0	400	400	100.00%
Total Program	\$644,741	\$697,124	\$576,573	\$578,426	-13.93%
<u>Fund Sources</u>					
General Fund	487,754	514,843	494,729	496,416	-1.14%
State Revenue Fund	89,798	148,519	53,795	53,961	-54.79%
Federal Revenue Fund	67,189	33,762	28,049	28,049	-44.43%
Total Funds	\$644,741	\$697,124	\$576,573	\$578,426	-13.93%

Program Description

The Administration program provides supervision, administration, and coordination of the five programs in the Historical Society. Program staff are responsible for the effective management, planning, direction, and leadership of the society as a whole. Activities include public information, payroll/personnel, fund raising, financial reporting, business management, security and building management. In addition, the program provides tours and travelling exhibits for the public.

Humanities grant in fiscal year 1990. Significant offsetting additions include: 1) biennial inflationary adjustments of \$4,251; 2) insurance and bonds costs increases of \$6,515 above the 1991 biennium; 3) audit costs of \$15,403 are budgeted for the 1993 biennium while only \$1,622 in audit costs were expended in fiscal 1990; and 3) Department of Administration rent is increased by \$14,496 over the 1991 biennium.

Over 85 percent of the administration program is funded with general fund. Other funding sources include donated funds and indirect costs from agency federal grants.

Current Level

The reduction in current level includes 1.5 FTE and \$36,000 of accommodations tax removed from the base (\$18,600 from personal services and \$17,400 from operating expenses) as a statutory appropriation which does not require inclusion in the general appropriation bill. The additional reduction of 1.88 FTE reflects the transfer of the assistant director position to the Library program and the transfer of two part-time positions (a .50 grade 7 administrative aide and a .38 grade 6 shipping clerk) to the Magazine program.

Reductions in operating expenses result from the termination of a \$39,140 federal National Endowment for the

Executive Budget Modification

Honoraria and Travel for Board Members

The Montana Historical Society is overseen by a 15-member citizen board, which meets at least four times each year and more frequently if called. This budget modification would provide funding to reimburse members of the board for their legitimate travel expenses, including meals, mileage, and lodging, as well as honoraria of \$50 per meeting day per member.

The society does not have an appropriation for this purpose in the 1991 biennium. Currently, several members of the board are submitting

ADMINISTRATION PROGRAM

travel expense claims for each meeting. Payments, which totaled \$1,668 in fiscal 1990, were made from the director's travel budget. No claims for travel reimbursement were made in either fiscal

1988 or fiscal 1989. The society has made no honoraria payments.

The biennial cost of this modification is \$15,308 in general fund.

LIBRARY PROGRAM

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	13.50	13.00	13.50	13.50	.50
Personal Services	330,875	356,681	367,561	367,664	6.93%
Operating Expenses	52,811	60,333	53,881	53,760	-4.86%
Equipment	67,960	19,434	11,260	11,774	-73.64%
Total Program	\$451,646	\$436,448	\$432,702	\$433,198	-2.50%
<u>Fund Sources</u>					
General Fund	361,679	378,050	402,455	402,810	8.86%
State Revenue Fund	89,967	58,398	30,247	30,388	-59.13%
Total Funds	\$451,646	\$436,448	\$432,702	\$433,198	-2.50%

Program Description

The Library program's purpose is to acquire, organize, preserve, and make accessible to the public published materials, historic records and manuscripts, photographs, and oral history illustrative of the history of Montana, the surrounding region, and the Trans-Mississippi West; and to assist researchers seeking information in these areas. The program is provided for in Section 22-3-103, MCA.

Current Level

The current level budget provides an overall 2.5 percent decrease due to removal of a one-time appropriation for photo cataloging and archives information terminating at end of fiscal 1991. Total fiscal 1990 expenditures for this project were \$62,729, funded from a donation from the Burlington Northern Foundation. The project supported 1.0 FTE in fiscal 1990 and 0.5 FTE in fiscal 1992. Equipment purchased with this donation totaled \$39,475 in fiscal 1990.

Personal services increase 6.9 percent in the 1993 biennium due to the transfer of 1.0 FTE from the Administration

program at a cost of \$37,400 annually and vacancy savings realized in fiscal 1990. This increase is offset by \$23,200 annually due to the termination of the 0.5 temporary position and a position downgrade.

Operating expenses decrease 4.9 percent in the 1993 biennium due to higher budgeted expenses in fiscal 1991 associated with the one-time photo-archiving project.

Equipment for the 1993 biennium includes \$2,000 for office equipment and \$21,034 for book requisitions.

General fund increases 8.9 percent in the 1993 biennium because of the position transferred from Administration and fully funding the vacancy savings realized in fiscal 1990.

State special revenue decreases 59 percent due to the termination of the one-time appropriation at the end of the 1991 biennium.

State special revenue includes \$27,047 in fiscal 1992 and \$27,188 in fiscal 1993 from sales of copies of photographs and documents and \$3,200 each year from the Teakle trust fund for the acquisition of specialized books.

MUSEUM PROGRAM

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	6.90	6.90	6.90	6.90	.00
Personal Services	142,506	177,503	176,930	176,285	10.38%
Operating Expenses	62,611	65,820	46,444	46,528	-27.61%
Equipment	<u>1,279</u>	<u>275</u>	<u>283</u>	<u>290</u>	<u>-63.13%</u>
Total Program	\$206,396	\$243,598	\$223,657	\$223,103	-.72%
<u>Fund Sources</u>					
General Fund	185,875	219,968	219,657	219,103	8.11%
State Revenue Fund	<u>20,521</u>	<u>23,630</u>	<u>4,000</u>	<u>4,000</u>	<u>-81.88%</u>
Total Funds	\$206,396	\$243,598	\$223,657	\$223,103	-.72%

Program Description

The Museum program was established to collect, preserve, and interpret the history of Montana through its material culture. The museum collects fine arts and historical, archeological, and ethnological artifacts from Montana and the general geographic region. The program interprets its collections through exhibits and educational activities.

Current Level Budget

Personal services increase over 10 percent from the 1991 biennium primarily due to: 1) the large amount of vacancy savings experienced because the exhibit designer position remaining unfilled for much of fiscal 1990; and 2) the continuation of the fiscal 1991 pay plan increase in the 1993 biennium. The nearly 28 percent drop in operating expenses is the result of two factors. First, \$16,717 expended in fiscal 1990

for restoration work on the original Governor's mansion will not continue. Second, the 1991 biennium budget included \$19,449 per year for museum renovations and museum study guides. Since the agency did not use any of the fiscal 1990 appropriation for these or any other purposes, it is not continued in the 1993 biennium.

Executive Budget Modification

Increased Security in Museum

The Executive Budget includes \$30,000 general fund in fiscal 1992 to purchase and install 16 video cameras and five hand-held radios with base station and charger to increase security in the museum. Two of the cameras would be placed in the Charles M. Russell collection, one in the gallery, and the remainder in the Montana Homeland exhibit completed in 1988. The radios would be used while security personnel are patrolling the facility.

MAGAZINE PROGRAM

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	6.00	6.00	6.88	6.88	.88
Personal Services	144,630	152,011	164,443	164,068	10.74%
Operating Expenses	270,680	299,936	282,087	285,230	-.58%
Equipment	200	551	500	500	33.16%
Transfers	45,879	41,320	48,069	48,069	10.25%
Total Program	\$461,389	\$493,818	\$495,099	\$497,867	3.95%
Fund Sources					
General Fund	45,879	48,069	48,069	48,069	2.33%
Proprietary Fund	415,510	445,749	447,030	449,798	4.13%
Total Funds	\$461,389	\$493,818	\$495,099	\$497,867	3.95%

Program Description

The Magazine program exists to fulfill one of the primary roles of the society: "to promote the study of Montana History by lectures and publications" (Section 22-3-108[15]), MCA). The program publishes Montana the Magazine of Western History and the Montana Post, the official newsletter of the society, on a quarterly schedule. It also publishes books under the Montana Historical Society Press imprint. In addition, the program is responsible for the operation of the retail and mail order museum store operation.

The general fund pays personal services costs for 2.0 FTE involved in publishing Montana, the Magazine of Western History. The magazine is not self-sustaining and past legislatures have appropriated general funds to subsidize its publication.

Three accounts are included in the proprietary funds: 1) historical society enterprise; 2) magazine sales; and 3) Montana Historical Society Press. The \$48,069 transfer is the transfer of the general fund appropriation into the Magazine propriety account from which it is expended.

Current Level

Personal services have increased 10.7 percent as a result of 0.88 FTE being transferred from the Administration program into this program, vacancy savings that occurred in fiscal 1990, and the continuation of the fiscal 1991 pay plan increases in the 1993 biennium. Operating expenses increase due to: 1) \$6,300 per year to contract with a book review editor specializing in western history, an editorial specialist, and with Helena Industries to bag, label, and mail the magazine; and 2) other inflationary adjustments of \$7,100. During the 1993 biennium, one-time expenditures for relocation expenses and job candidate costs have been reduced or eliminated.

Executive Budget Modifications

Merchandise Proprietary Fund Increase

A portion of the Magazine program budget is funded with revenue from the sale of merchandise. In prior years, sales have exceeded the original appropriated authority and the society has added authority via the budget amendment process. The Executive Budget includes \$30,000 each year in proprietary funds over the fiscal 1991 appropriated amount of \$174,311 (\$167,035 expended). Total revenue in fiscal 1990 was \$218,771. The funds would be used for postage and to purchase additional merchandise for resale.

MAGAZINE PROGRAM

Milwaukee Road Disturbance Mitigation

Federal historic preservation laws require the federal Highway Administration through the Montana Department of Highways (DOH) to avoid or mitigate loss to significant historic or prehistoric resources. The Montana Historical Society has entered into an agreement with DOH to research, write, publish, and distribute a booklet on the Milwaukee Road railroad line and the impact it has had on Montana history. DOH has agreed to provide \$15,000 of federal funds for this purpose. In fiscal 1991, the society spent \$1,500 via a budget amendment for project start-up. This modification requests

authority for the remaining \$13,500 of federal funds for completion and distribution of the booklet.

Purchase Computer Equipment

The Executive Budget includes \$5,900 in proprietary funds in fiscal 1992 from press and magazine sales to purchase computer equipment to primarily perform direct, on-line typesetting. The society currently has one computer with on-line typesetting capabilities. This modification would add one additional computer with this capability. The equipment would also be used for some word processing and data entry.

HISTORICAL SITES PRESERVATION

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	7.50	7.50	7.50	7.50	.00
Personal Services	198,329	213,352	218,178	217,863	5.92%
Operating Expenses	59,090	60,650	62,205	62,127	3.83%
Equipment	7,312	11,679	5,000	5,000	-47.34%
Grants	134,616	350,000	201,546	201,546	-16.82%
Debt Service	71	0	900	900	2435.21%
Total Program	\$399,418	\$635,681	\$487,829	\$487,436	-5.78%
<u>Fund Sources</u>					
General Fund	69,518	72,471	69,829	69,436	-1.92%
Federal Revenue Fund	329,900	563,210	418,000	418,000	-6.40%
Total Funds	\$399,418	\$635,681	\$487,829	\$487,436	-5.78%

Program Description

The staff of the Historical Sites Preservation program administer the federal Historic Preservation Act and the federal grants-in-aid for historic preservation. They also review all federally proposed projects within the state to determine their effect on historical properties listed in the National Register of Historic Places and those eligible for listing. The office certifies historic structures and rehabilitation projects for the federal tax credit offered in the Tax Reform Act of 1976 and oversees Montana's State Antiquities Act. The program awards federal grants to local governments and private entities and individuals under three grant programs: 1) the certified local government program; 2) acquisition & development; and 3) survey and planning. The program is authorized by Section 22-3-421, MCA.

Current Level Budget

Personal services have increased due to three factors: 1) vacancy savings which occurred in fiscal 1990 and are not budgeted in the 1993 biennium; 2) the continuation of the fiscal 1991 pay plan increase into the 1993 biennium; and 3) the agency received a pay exception from the Department of Administration to fill the historic preservation officer

position at a grade 14, step 13, instead of the budgeted step 2, resulting in a biennial cost increase of \$14,674. Due to the education and experience requirements of this position, the agency was unable to fill the position at a lower salary level. Operating increases include: \$2,700 added to contracted services for radio carbon dating of archeological materials and inflationary adjustments. Equipment was budgeted at the four year average. Debt service is increased to \$900 per year to reflect lease purchase payments on a new copier purchased at the end of fiscal 1990. These payments are scheduled to continue through 1993.

Federal funds of \$418,000 per year are based on the most recent estimate supplied by the National Park Service. This amount is less than the appropriated level for the 1991 biennium and results in a reduction in grant levels. However, it does not appear likely that the level appropriated for federal grants for the 1991 biennium will be realized.

Executive Budget Modification

Computer Purchase

State statutes require that the state's historic preservation officer conduct an ongoing statewide survey to identify and document heritage properties and

HISTORICAL SITES PRESERVATION

paleontological remains and that a state inventory file (database) be maintained. If federal funds are involved in the completion of a project (such as highway construction), the area must be surveyed for possible historic and prehistoric resources so that the potential impact on those resources can be mitigated. This budget modification would add

\$11,400 in federal funds from the National Parks Service to purchase computer equipment that would allow daily access by the federal government and other interested parties to the state's historic preservation database. The equipment would also be used for word processing and other functions.



EDUCATION

COMPARISON OF EXECUTIVE & LFA CURRENT LEVELS

BOARD OF PUBLIC EDUCATION

Budget Item	Executive Current Level		LFA Current Level		Executive Over(Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	4.00	4.00	4.00	4.00	0.00
Personal Services	126,891	126,870	122,038	122,193	9,530
Operating Expenses	64,874	64,922	58,585	58,630	12,581
Equipment	<u>0</u>	<u>0</u>	<u>500</u>	<u>500</u>	<u>(1,000)</u>
Total Agency	\$191,765	\$191,792	\$181,123	\$181,323	\$21,111
<u>Fund Sources</u>					
General Fund	119,049	118,878	111,211	111,199	15,517
State Revenue Fund	<u>72,716</u>	<u>72,914</u>	<u>69,912</u>	<u>70,124</u>	<u>5,594</u>
Total Funds	\$191,765	\$191,792	\$181,123	\$181,323	\$21,111

Executive Budget Comparison

Personal services are \$9,530 higher for two reasons. The Executive Budget: 1) did not adjust salaries to reflect staff turnover; and 2) includes \$2,600 more for the biennium for board members' per diem. The LFA current level includes per diem based upon expenditures during the last four years.

The Executive Budget for operating expenses is approximately \$6,300 higher per year than the current level of the LFA. The Executive Budget includes \$2,700 more per year for travel, \$2,400 more for other expenses, and \$900 more in contracted services and supplies. The LFA current level is based on

fiscal 1990 actual expenditures for these categories.

The LFA current level budget includes \$1,000 for replacement of office equipment and furniture, while the Executive Budget contains no funds for equipment.

Executive Budget Modification

In addition to the \$383,557 current level budget for the Board of Public Education, the Executive Budget includes one budget modification for \$6,504, which is discussed in the agency narrative.

BOARD OF PUBLIC EDUCATION

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	4.00	4.00	4.00	4.00	.00
Personal Services	123,382	125,523	122,038	122,193	-1.88%
Operating Expenses	60,409	59,856	58,585	58,630	-2.54%
Equipment	<u>0</u>	<u>1,000</u>	<u>500</u>	<u>500</u>	.00%
Total Agency	\$183,791	\$186,379	\$181,123	\$181,323	-2.09%
<u>Fund Sources</u>					
General Fund	119,016	115,311	111,211	111,199	-5.09%
State Revenue Fund	<u>64,775</u>	<u>71,068</u>	<u>69,912</u>	<u>70,124</u>	3.09%
Total Funds	\$183,791	\$186,379	\$181,123	\$181,323	-2.09%

Agency Description

The Board of Public Education, created by Article X, Section 9 of the 1972 Montana Constitution, consists of seven voting members appointed by the Governor and confirmed by the Senate. The board is charged with exercising "general supervision over the public school system." The board is also designated by statute as the governing board of the Montana School for the Deaf and Blind. Together with the Board of Regents, the board does the general planning, coordinating, and evaluation of the state's educational system (Title 20, Chapter 2, MCA). The board accredits all schools, certifies all teachers, adopts policies and standards for various educational programs, and orders the distribution of state equalization aid. The board's accreditation standards are the basis for eligibility for local school districts to receive state funds. Also, the board hears cases regarding denial, suspension, and revocation of teacher certificates and

reviews teacher education programs leading to interstate reciprocity. The board is assisted by an administrative staff that oversees board operations and provides technical assistance and liaison.

Current Level Budget

The decline in personal services is due primarily to the fact that the 1990 actual expenditures included over \$4,000 in termination pay. In addition, some positions have been filled at lower salary levels than had been budgeted during the 1991 biennium. Operating expenses decline due to a reduction in contracted services in the Administration program. Equipment remains \$1,000 for the 1993 biennium.

Funding for administration of the Board of Public Education is from the general fund. The teacher certification program is funded by fees paid by teachers for license certification or recertification.

Executive Budget Modification

1993 Biennium

<u>Budget Modification</u>	FTE <u>FY92</u>	FTE <u>FY93</u>	General <u>Fund</u>	Other <u>Funds</u>	Total
Additional board hearings	0.0	0.0	\$6,504	\$0	\$6,504

ADMINISTRATION

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	2.00	2.00	2.00	2.00	.00
Personal Services	78,831	79,169	75,301	75,260	-4.71%
Operating Expenses	40,185	36,142	35,660	35,689	-6.52%
Equipment	0	0	250	250	.00%
Total Program	\$119,016	\$115,311	\$111,211	\$111,199	-5.09%
<u>Fund Sources</u>					
General Fund	119,016	115,311	111,211	111,199	-5.09%
Total Funds	\$119,016	\$115,311	\$111,211	\$111,199	-5.09%

Program Description

The staff of the Administration program provide administrative, research, clerical functions, and management of business affairs for all programs under the purview of the Board of Public Education.

Current Level Budget

The program's current level budget decreases 5.1 percent due to reduced personal services and operating expenses. Fiscal 1990 personal services expenditures included over \$4,000 termination payment for the prior executive secretary. The position has been filled at a slightly lower salary. Operating expenses decline due to a \$4,654 reduction in contracted services and a reallocation of audit costs. Biennial inflationary adjustments total \$1,562. Equipment includes \$500 for the biennium for the purchase of office equipment.

Executive Budget Modification

House Bill 28 Board Hearings

Beginning in the 1991 biennium, school districts must comply with generally accepted accounting principles (GAAP) and meet accreditation standards in order to receive state funding. The Board of Public Education is requesting \$6,504 general fund for the biennium to fund an additional two days' meetings per year to hear an anticipated increase in contested cases involving state funding withheld from districts. The budget modification includes \$3,804 in attorney fees, \$50 per diem for the seven voting board members, plus two nights lodging and two days meal reimbursement for all eight members (the student representative does not receive per diem).

ADVISORY COUNCIL

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	2.00	2.00	2.00	2.00	.00
Personal Services	44,551	46,354	46,737	46,933	3.04%
Operating Expenses	20,224	23,714	22,925	22,941	4.39%
Equipment	0	1,000	250	250	-50.00%
Total Program	\$64,775	\$71,068	\$69,912	\$70,124	3.09%
<u>Fund Sources</u>					
State Revenue Fund	64,775	71,068	69,912	70,124	3.09%
Total Funds	\$64,775	\$71,068	\$69,912	\$70,124	3.09%

Program Description

The Certification Standards and Practices Advisory Council to the Board of Public Education was created by the Fiftieth Legislature to study and make recommendations to the board in the following areas: teacher, administrator, and specialist certification standards; the status and efficacy of approved teacher education programs in Montana; the feasibility of establishing standards of professional practices and ethical conduct; and policies relating to the denial, suspension, and revocation of teaching certification and the appeals process. The seven-member council is to submit an annual report concerning its recommendations to the board. The board staff provides administrative, research, and clerical duties to the council.

Current Level Budget

The increase in personal services reflects the 1991 pay plan included in both years of the 1993 biennium.

Operations increase over the 1991 biennium due to \$3,000 added in contracted services for consultant assistance in analyzing complex certification issues. Audit expenses of \$1,165 are included in the current level operating budget for the 1993 biennium. Previously, total audit costs had been paid from the Administration program. Biennial inflationary adjustments total \$1,163. Equipment includes \$500 for purchase of office equipment.

Funding for the advisory council is derived from fees collected for the issuance or renewal of teacher or specialist certification. Section 20-4-109, MCA, provides that the total fee, which is collected by the Office of Public Instruction, may not exceed \$5 for each year in which the certificate is valid. Of this amount, \$3 is deposited in the state special revenue fund to be used for expenses of the council. The remaining \$2 is credited to the state general fund.

COMPARISON OF EXECUTIVE & LFA CURRENT LEVELS

SCHOOL FOR THE DEAF & BLIND

Budget Item	Executive Current Level		LFA Current Level		Executive Over(Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	84.54	84.54	83.45	83.45	1.09
Personal Services	2,396,132	2,395,287	2,364,182	2,361,155	66,082
Operating Expenses	488,807	493,587	464,318	472,671	45,405
Equipment	10,921	10,921	13,602	12,125	(3,885)
Debt Service	7,900	7,900	12,940	12,940	(10,080)
Total Agency	\$2,903,760	\$2,907,695	\$2,855,042	\$2,858,891	\$97,522
<u>Fund Sources</u>					
General Fund	2,575,131	2,574,156	2,505,842	2,503,691	139,754
State Revenue Fund	162,429	167,339	183,000	189,000	(42,232)
Federal Revenue Fund	166,200	166,200	166,200	166,200	0
Total Funds	\$2,903,760	\$2,907,695	\$2,855,042	\$2,858,891	\$97,522

Executive Budget Comparison

The Executive Budget current level is \$97,522 and 1.09 FTE higher than the LFA current level budget for the 1993 biennium. Major differences in the budget include:

1) The LFA current level budget removed 1.09 FTE and \$38,000 each year due to declining federal Chapter I special education funds. While the appropriation in the 1991 biennium was \$168,000 per year, anticipated receipts in fiscal 1991 are \$130,000. The Executive Budget replaces the declining federal funds with general fund;

2) The Executive Budget includes \$60,150 per year for student travel, which is \$12,970 more than the LFA current level. The LFA current level is based on fiscal 1990 expenditures;

3) The Executive Budget includes \$20,000 each year for maintenance on the Academic building;

4) The LFA current level budget includes \$33,564 more for inflation (mainly in utilities and food) than the Executive Budget; and

5) The LFA current level budget includes \$10,080 in debt service for lease purchase of a 15-passenger van.

The Executive Budget uses general fund to replace the reduced federal Chapter I funds, increasing general fund costs by \$60,000 during the biennium. The Executive Budget also projects lower trust income. As a result of these funding differences and the higher expenditure level, the general fund is \$139,754 higher in the Executive Budget.

Executive Budget Modifications

In addition to the \$5.8 million current level budget for the 1993 biennium, the Executive Budget includes \$96,360 general fund and 1.61 FTE in budget modifications. These budget modifications are discussed in the program narratives.

SCHOOL FOR THE DEAF & BLIND

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	84.54	84.54	83.45	83.45	(1.09)
Personal Services	2,233,991	2,372,289	2,364,182	2,361,155	2.58%
Operating Expenses	449,139	483,262	464,318	472,671	.49%
Equipment	9,109	12,000	13,602	12,125	21.88%
Debt Service	<u>19,857</u>	<u>6,975</u>	<u>12,940</u>	<u>12,940</u>	<u>(-3.55%)</u>
Total Agency	\$2,712,096	\$2,874,526	\$2,855,042	\$2,858,891	2.28%
<u>Fund Sources</u>					
General Fund	2,367,330	2,519,725	2,505,842	2,503,691	2.51%
State Revenue Fund	160,043	147,307	183,000	189,000	21.03%
Federal Revenue Fund	<u>184,723</u>	<u>207,494</u>	<u>166,200</u>	<u>166,200</u>	<u>(15.25%)</u>
Total Funds	\$2,712,096	\$2,874,526	\$2,855,042	\$2,858,891	2.28%

Agency Description

The purpose of the Montana School for the Deaf and Blind is to provide an ordinary public school education for its students by use of specialized methods and to teach trades and vocations that will enable students attending the school to become independent and self-sustaining citizens. Authority for the school is contained in Title 20, Chapter 8, Part 1, MCA. A maximum of 80 children and adolescents reside on campus throughout the school year. To attend the school, students must be diagnosed as being deaf and/or blind or must have such a significant hearing or sight impairment that they are unable to receive a proper education in the public schools of the state. Additionally, the school provides for a minimum of 50 day students from the Great Falls area and serves over 250 students statewide through a resource consultant program.

Current Level Budget

The current level budget for the 1993 biennium increases 2.3 percent compared to the 1991 biennium. The number of FTE

is reduced by 1.09 due to a reduction in federal Chapter I funds. Despite this reduction, personal services increase due to vacancy savings which occurred in 1990 and are not budgeted in the 1993 biennium and the continuation of the fiscal 1991 pay plan increase in the 1993 biennium. Changes in current level operating expenses above fiscal 1990 expenditures include: 1) an additional \$16,000 in fiscal 1992 and \$23,000 in fiscal 1993 for inflation; and 2) increased audit fees.

Equipment includes funds for replacement of furniture, dishwashers, and a commercial vacuum. Debt service declines in fiscal 1991 due to completion of lease purchase payments on the telephone system. Beginning in fiscal 1992, \$5,040 per year is included for the lease purchase of a 15-passenger van to replace a 1975 model.

Funding for the School for the Deaf and Blind is over 85 percent general fund. Other sources include trust interest and income, federal school lunch funds, and federal Chapter I special education funds.

SCHOOL FOR THE DEAF & BLIND

The Executive Budget includes the following budget modifications, which are discussed in the program narratives.

Executive Budget Modifications 1993 Biennium

<u>Budget Modifications</u>	<u>FTE FY92</u>	<u>FTE FY93</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
1) Night Watchman	0.77	0.77	\$29,855		\$29,855
2) Supervising Teacher	<u>0.84</u>	<u>0.84</u>	<u>66,505</u>		<u>66,505</u>
Total	1.61	1.61	\$96,360	\$ 0	\$96,360

ADMINISTRATION PROGRAM

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	5.00	5.00	5.00	5.00	.00
Personal Services	159,414	156,527	156,929	156,513	-.79%
Operating Expenses	40,863	33,223	46,728	47,931	27.77%
Equipment	972	0	570	0	-41.36%
Debt Service	<u>11,957</u>	<u>6,975</u>	<u>0</u>	<u>0</u>	<u>-100.00%</u>
Total Program	\$213,206	\$196,725	\$204,227	\$204,444	-.31%
<u>Fund Sources</u>					
General Fund	<u>213,206</u>	<u>196,725</u>	<u>204,227</u>	<u>204,444</u>	<u>-.31%</u>
Total Funds	\$213,206	\$196,725	\$204,227	\$204,444	-.31%

Program Description

The Administration program staff provide purchasing, accounting, and personnel functions and management of business affairs for the school.

These increases are offset by a reduction in contracted services, which are budgeted at the level requested by the agency. Equipment includes funds to replace two office chairs.

Funding for the program is the general fund.

Current Level Budget

The current level budget is lower than fiscal 1990 actual expenditures due primarily to the completion of debt service payments for the new telephone system in fiscal 1991. Salary increases for exempt positions in fiscal 1990 caused personal services costs to exceed the amounts appropriated by the Fifty-first Legislature. The LFA current level includes personal services at the fiscal 1991 appropriated level (adjusted for number of work hours).

Operating expenses increases for the biennium are due to: 1) \$3,068 more for insurance & bonds; and 2) a \$16,258 increase in audit costs. Only \$1,333 in biennial audit costs was expended in fiscal 1990 while audit costs of \$18,924 are budgeted in the 1993 biennium.

Issue

Salary Increases

House Bill 100 included \$3,744 per year during the 1991 biennium for the superintendent's salary for a housing allowance. The Board of Education approved a housing allowance of \$7,800 per year. In addition, the business manager received a 15.42 percent salary increase in fiscal 1990 and 6.15 percent in fiscal 1991. Because these increases were not included in the appropriation for personal services, the school transferred \$8,500 from the General Services program's operating budget to fund the increases.

GENERAL SERVICES PROGRAM

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	4.00	4.00	4.00	4.00	.00
Personal Services	87,688	95,835	95,842	96,034	4.55%
Operating Expenses	154,702	187,358	158,298	160,851	-6.70%
Equipment	<u>269</u>	<u>0</u>	<u>907</u>	<u>0</u>	<u>237.17%</u>
Total Program	\$242,659	\$283,193	\$255,047	\$256,885	-2.65%
<u>Fund Sources</u>					
General Fund	<u>242,659</u>	<u>283,193</u>	<u>255,047</u>	<u>256,885</u>	<u>-2.65%</u>
Total Funds	<u>\$242,659</u>	<u>\$283,193</u>	<u>\$255,047</u>	<u>\$256,885</u>	<u>-2.65%</u>

Program Description

The General Services program staff are responsible for the repair and maintenance of the school's eight buildings and 18.5 acre campus.

Current Level Budget

The current level budget for the 1993 biennium is higher than fiscal 1990 actual expenditures. Personal services increase due to vacancy savings in fiscal 1990 which are not budgeted in

the 1993 biennium and continuation of the fiscal 1991 pay plan in the 1993 biennium. Operating expenses include inflationary increases of \$6,366 for fiscal 1992 and \$8,919 in fiscal 1993, primarily for utility costs. This increase is offset by a \$1,980 per year reduction in insurance and bond costs, which will be paid by the Administration program. Equipment includes funds to replace office furniture.

Funding for the program is general fund.

STUDENT SERVICES

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	31.13	31.13	31.13	31.13	.00
Personal Services	610,895	680,373	677,893	677,471	4.96%
Operating Expenses	127,994	142,660	133,969	137,208	.19%
Equipment	2,586	4,000	4,825	4,825	46.52%
Debt Service	7,900	0	12,940	12,940	227.59%
Total Program	\$749,375	\$827,033	\$829,627	\$832,444	5.43%
<u>Fund Sources</u>					
General Fund	714,349	789,033	794,627	797,444	5.90%
Federal Revenue Fund	35,026	38,000	35,000	35,000	-4.14%
Total Funds	\$749,375	\$827,033	\$829,627	\$832,444	5.43%

Program Description

The Student Services program provides residential care for a maximum of 80 children living at the school.

purchase payments on a bus for the handicapped authorized by the 1989 legislature.

Equipment includes funds for the replacement of washers and dryers, a dishwasher, and office furniture.

Current Level Budget

The current level budget increases by \$80,252 from fiscal 1990 to fiscal 1992 and by \$83,069 to fiscal 1993. This increase is mainly in personal services, which increase by approximately \$67,000 per year due to vacancy savings experienced in fiscal 1990 and the continuation of the fiscal 1991 pay plan increase in the 1993 biennium. Operating expenses include inflationary adjustments of \$6,071 in fiscal 1992 and \$9,310 in fiscal 1992. The budget includes \$47,179 each year for students to travel home eight times per school year. Debt service of \$5,040 each year is added for lease-purchase (on a four-year contract) of a 15-passenger van to replace a 1975 model with high mileage. Debt service also includes \$7,900 per year for lease

Funding for the program is primarily general fund. Federal school lunch funds pay \$35,000 of food costs.

Executive Budget Modification

Additional Night Watchman

The Executive Budget includes \$29,855 to fund an additional 0.77 FTE night watchman to increase supervision of the dormitory cottages from midnight until 8:00 A.M. Currently, the school employs three night watchmen five days a week and an additional watchman four days a week to provide supervision for its six dormitory "pods", which house an average of 10 students each. The additional night watchman is proposed to reduce the area that each must cover and provide additional coverage in the event of an emergency.

EDUCATION

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	44.41	44.41	43.32	43.32	-1.09
Personal Services	1,375,994	1,439,554	1,433,518	1,431,137	1.74%
Operating Expenses	125,580	120,021	125,323	126,681	2.61%
Equipment	<u>5,282</u>	<u>8,000</u>	<u>7,300</u>	<u>7,300</u>	<u>9.92%</u>
Total Program	\$1,506,856	\$1,567,575	\$1,566,141	\$1,565,118	1.85%
<u>Fund Sources</u>					
General Fund	1,197,116	1,250,774	1,251,941	1,244,918	2.00%
State Revenue Fund	160,043	147,307	183,000	189,000	21.03%
Federal Revenue Fund	<u>149,697</u>	<u>169,494</u>	<u>131,200</u>	<u>131,200</u>	<u>-17.79%</u>
Total Funds	\$1,506,856	\$1,567,575	\$1,566,141	\$1,565,118	1.85%

Program Description

The Education program exists to provide an education for children with a hearing and/or sight loss which prevents them from receiving an adequate education in their hometown school. The program also provides "mainstream" programs for certain students in a joint effort with the Great Falls Public School System.

Current Level Budget

The current level budget is approximately \$60,000 per year higher than fiscal 1990 expenditures.

The number of FTE is reduced by 1.09 in the 1993 biennium due to declining federal Chapter 1 funds. While the appropriated level for federal Chapter 1 funds in fiscal 1990 and fiscal 1991 was \$168,000, actual funds received in fiscal 1990 were approximately \$148,000 and are projected to be \$130,000 in fiscal 1991. The agency has left positions vacant due to this loss of federal funding. The agency is requesting a fiscal 1991 general fund supplemental to replace the lost federal funds.

In spite of the FTE reduction, personal services increase approximately \$57,000 over the fiscal 1990 actual expenditures due to vacancy savings which occurred in fiscal 1990 and are not budgeted in the

1993 biennium and the continuation of the fiscal 1991 pay plan increase in the 1993 biennium.

Operating expenses remain at virtually the same level as in fiscal 1990 due to a reduction of \$3,700 per year for contracts with parent advisors (as a result of the federal fund loss) offset by inflationary increases of \$3,200 in fiscal 1992 and \$4,600 in fiscal 1993. Equipment is funded at the average of the past five years' expenditures.

Funding for the program includes general fund, income revenue from the school trust, and federal Chapter I special education funds.

Issue

Holiday Pay

The 1989 legislature provided a line-item appropriation in fiscal 1990 in House Bill 100 of \$18,883 for the Student Services program and \$111,831 for the Education program for annual leave and holiday pay for contract staff in those programs and included language stating these funds could be used only for this purpose. Because the Office of Budget and Program Planning did not establish a separate appropriation for these funds, it is impossible to verify how the funds were expended.

EDUCATION

Executive Budget Modification

Supervising Teacher

The Executive Budget includes \$66,505 in general fund for a 0.84 FTE supervising teacher to supervise staff and develop a school-wide curriculum. The 0.84 FTE level will provide a full-time teacher during the 218 day school year contract. The Conference of Educational Administrators Serving the Deaf granted

provisional accreditation to the Montana School for the Deaf and Blind in fiscal 1990. In granting provisional accreditation, the conference recommended that the school "...aggressively pursue funding to fill...supervising teacher [and]...curriculum specialist..." The Conference staff will reevaluate the school in three years to determine progress made on past recommendations.

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

MONTANA COUNCIL ON VOCATIONAL EDUCATION

Budget Item	Executive Current Level		LFA Current Level		Executive Over (Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	2.50	2.50	2.50	2.50	0.00
Personal Services	79,467	79,479	82,192	82,204	(5,450)
Operating Expenses	57,190	57,294	54,735	54,794	4,955
Equipment	<u>0</u>	<u>0</u>	<u>500</u>	<u>500</u>	<u>(1,000)</u>
Total Agency	\$136,657	\$136,773	\$137,427	\$137,498	(\$1,495)
<u>Fund Sources</u>					
Federal Revenue Fund	<u>136,657</u>	<u>136,773</u>	<u>137,427</u>	<u>137,498</u>	<u>(1,495)</u>
Total Funds	\$136,657	\$136,773	\$137,427	\$137,498	(\$1,495)

Executive Budget Comparison

The LFA current level budget for the Montana Council on Vocational Education is slightly higher than the Executive Budget current level for two reasons:

1) Per Diem. The LFA current level includes \$2,725 per year to pay the thirteen council members' per diem when they attend council meetings. Federal requirements mandate at least four meetings per year. During the period fiscal 1986 to fiscal 1990, an average of \$2,400 was expended for this purpose. The Executive Budget does not include funding for this ongoing cost.

2) Equipment. The LFA current level includes \$1,000 during the biennium to

replace 20 year old files and purchase office equipment. The Executive Budget does not include money for equipment replacement.

Operating expenses in the LFA current level budget, which are based on fiscal 1990 expenditures, are lower than the Executive Budget current level, which is based on the fiscal 1991 appropriation.

Executive Budget Modification

In addition to the current level budget, the Executive Budget contains \$60,000 in a modified budget request. This budget request is discussed in the agency narrative.

MONTANA COUNCIL ON VOCATIONAL EDUCATION

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	2.50	2.50	2.50	2.50	.00
Personal Services	73,214	81,663	82,192	82,204	6.15%
Operating Expenses	54,002	57,280	54,735	54,794	-1.58%
Equipment	475	500	500	500	2.56%
Total Agency	\$127,691	\$139,443	\$137,427	\$137,498	2.92%
<u>Fund Sources</u>					
Federal Revenue Fund	127,691	139,443	137,427	137,498	2.92%
Total Funds	\$127,691	\$139,443	\$137,427	\$137,498	2.92%

Agency Description

The Montana State Council on Vocational Education was created in 1985 to comply with the Carl D. Perkins Vocational Education Act of 1984 (P.L. 98-524). The purpose of the thirteen-member council is to analyze and evaluate the vocational education program delivery system assisted under the Perkins Act and under the Job Training Partnership Act, and to report to and advise the Governor, State Board of Regents of Higher Education, Department of Education, business community, and general public on how well the state's needs for vocational education are being met.

Current Level Budget

The council's current level budget increases 2.9 percent due to higher personal services costs. The increase in personal service costs over the 1991 biennium results from vacancy savings incurred in 1990 and the continuation of the fiscal 1991 pay plan increase in the 1993 biennium. Operating expenses are continued at the same level as fiscal 1990, with small inflationary adjustments and increased costs for audit and bonding insurance. Included in equipment is \$500 per year to purchase file cabinets.

Funding for the council is entirely federal Carl Perkins vocational

education funds. This program, which is mandated under federal vocational education laws, does not reduce available funding for vocational education in Montana. Historically, federal funding levels have been \$120,000 per year. Since the agency has not always utilized this full amount, carry-over funds are sufficient to fund the current level budget.

Executive Budget Modification

Increased Federal Funding

Funding for the Montana Council on Vocational Education is provided through the Carl Perkins Vocational Education Act, which also authorizes the council and sets its duties. Montana is eligible for the minimum level of funding available (\$120,000 each year). Recent re-authorization of the act raised the minimum level of funding for any state's vocational education council from \$120,000 to \$150,000 each year. Consequently, the council is requesting authority to spend the additional \$30,000 Carl Perkins funds each year. The funds would be used to perform additional responsibilities assigned by the re-authorization, including analysis and review of corrections education programs, comment on the adequacy or inadequacy of state action in implementing the state vocational-education plan, and review and comment on the state plan.

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

OFFICE OF PUBLIC INSTRUCTION

<u>Budget Item</u>	Executive Current Level		LFA Current Level		Executive Over (Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	126.40	126.40	121.90	120.40	6.00
Personal Services	4,122,300	4,115,762	3,967,079	3,896,399	374,584
Operating Expenses	2,433,111	2,415,902	2,189,700	2,163,153	496,160
Equipment	86,152	85,152	54,260	45,976	71,068
Local Assistance	43,168,937	43,168,937	43,168,940	43,168,940	(6)
Grants	4,153,582	4,159,582	4,153,600	4,159,600	(36)
Transfers	425,049	426,226	334,000	334,000	183,275
Total Agency	\$54,389,131	\$54,371,561	\$53,867,579	\$53,768,068	\$1,125,045
<u>Fund Sources</u>					
General Fund	45,161,047	45,137,312	44,780,753	44,724,344	793,262
State Revenue Fund	1,489,475	1,489,475	1,489,378	1,489,378	194
Federal Revenue Fund	6,894,245	6,896,767	6,830,765	6,793,280	166,967
Proprietary Fund	844,364	848,007	766,683	761,066	164,622
Total Funds	\$54,389,131	\$54,371,561	\$53,867,579	\$53,768,068	\$1,125,045

Executive Budget Comparison

The Executive Budget exceeds the LFA current level budget by \$1,125,045 in the 1993 biennium. This is caused by six major factors:

1) The Executive Budget includes approximately \$356,000 general fund for 2.0 FTE and related operating expenses in the 1993 biennium to continue implementation of House Bill 16 and House Bill 28, passed by the June 1989 special legislative session. These bills appropriated \$353,950 to OPI for the 1991 biennium to: 1) assist districts in implementing generally accepted accounting principles (by July 1, 1990) and standard reporting practices in local school districts; and 2) to implement the new school equalization bill which went into effect in fiscal 1991. The LFA current level budget does not include continued funding in the 1993 biennium for these purposes.

2) The LFA current level budget deletes 4.0 FTE and approximately \$75,000 general fund and \$170,000 federal funds (Carl Perkins and Chapter I) in the 1993 biennium due to extended vacancies in

the 1991 biennium and reduced federal funds in the 1993 biennium.

3) The Executive Budget includes \$71,068 more for equipment in the 1993 biennium than included in the LFA current level budget. Part of this difference reflects equipment (\$10,600) included in the Executive Budget for House Bill 16 and House Bill 28 implementation. The LFA current level budget includes \$60,468 less for audiological and computer equipment.

4) The Executive Budget includes \$183,275 more general fund in the 1993 biennium for transfers to the indirect cost pool than the LFA current level budget. The Executive Budget includes a higher budget for the functions supported by indirect cost pool.

5) The Executive Budget includes \$207,346 more for contracted and printing services in the 1993 biennium than the LFA current level budget. The LFA current level budget is based on actual fiscal 1990 expenditures for these services.

6) The Executive Budget includes approximately \$78,500 more travel in the 1993 biennium than the LFA current level budget. The LFA current level budget

OFFICE OF PUBLIC INSTRUCTION

includes travel costs at the fiscal 1990 expenditure level for every program except Title IV.

Budget Modifications

In addition to the \$108.8 million current level budget for the Office of

Public Instruction, the Executive Budget includes \$2.75 million and 6.0 FTE in budget modifications. The Superintendent of Public Instruction is requesting an additional \$62.1 million and 7.5 FTE in budget modifications that are not included in the Executive Budget. These budget modifications are discussed in the program narratives.

OFFICE OF PUBLIC INSTRUCTION

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	124.40	124.40	121.90	120.40	-4.00
Personal Services	3,679,912	3,935,367	3,967,079	3,896,399	3.26%
Operating Expenses	2,114,340	2,865,813	2,189,700	2,163,153	-12.60%
Equipment	185,164	83,352	54,260	45,976	-62.67%
Local Assistance	41,996,368	43,168,937	43,168,940	43,168,940	1.38%
Grants	5,436,689	4,132,782	4,153,600	4,159,600	-13.13%
Transfers	360,000	0	334,000	334,000	85.56%
Total Agency	\$53,772,473	\$54,186,251	\$53,867,579	\$53,768,068	- .30%
<u>Fund Sources</u>					
General Fund	44,845,969	44,899,381	44,780,753	44,724,344	-.27%
State Revenue Fund	1,502,449	1,489,475	1,489,378	1,489,378	-.44%
Federal Revenue Fund	6,657,964	6,890,530	6,830,765	6,793,280	.56%
Proprietary Fund	766,091	906,865	766,683	761,066	-8.68%
Total Funds	\$53,772,473	\$54,186,251	\$53,867,579	\$53,768,068	- .30%

Agency Description

The Superintendent of Public Instruction is an elected official mandated by Section 1, Article VI, of the Montana Constitution. Section 20-3-106, MCA, states that the Superintendent "...has the general supervision of the public schools and districts of the state." Section 20-7-301, MCA, names the Superintendent as "the governing agent and executive officer" for K-12 vocational education in Montana. The office provides services to Montana's school-age children and to teachers in 546 school districts. The staff provides technical assistance in planning, implementing, and evaluating educational programs in such areas as teacher preparation, teacher certification, school accreditation, school curriculum, school finance, and school law. The staff administers a number of federally funded programs and provides a variety of information services.

Current Level Budget

In fiscal 1990, the Office of Public Instruction (OPI) reorganized. The "actual fiscal 1990" column in the tables for each program reflects the new

structure, while the "appropriated fiscal 1991" column reflects the former organization.

The LFA current level budget deletes 4.0 FTE from the 1991 biennium authorized level due to: 1) a reduction in federal Carl Perkins funds available for administrative purposes in the 1993 biennium; and 2) extended position vacancies in the 1991 biennium. Personal services increase 3.3 percent in the 1993 biennium due to vacancy savings experienced in fiscal 1990 and the fiscal 1991 pay plan increase continued in the 1993 biennium.

Although operating expenses show a 12.6 percent biennial reduction compared to the 1991 biennium, the LFA current level budget provides a \$75,000 increase from fiscal 1990 to 1992 and a \$49,000 increase from fiscal 1990 to 1993. Major increases include: 1) inflationary adjustments of approximately \$31,000 in fiscal 1992 and \$33,000 in fiscal 1993; 2) an additional \$44,000 in fiscal 1992 and \$35,000 in fiscal 1993 in contracted services for consulting and professional services; and 3) approximately \$40,000 per year in indirect/administrative costs, primarily due to increased federal and state special revenue. Operating expense reductions include: 1) lower

OFFICE OF PUBLIC INSTRUCTION

publication costs in the Central Services program (\$10,500 less in fiscal 1992 and \$34,500 less in fiscal 1993 to reflect a more normal level and biennial cycle); and 2) Title IV funding reductions of approximately \$15,000 each year, reflected in various operating expense categories.

The current level equipment budget includes \$54,260 in fiscal 1992 and \$45,976 in fiscal 1993 for office equipment, audio-visual equipment, and personal computers. Actual fiscal 1990 equipment expenditures were \$185,164 or \$63,725 more than the legislative appropriation.

The LFA current level budget includes \$334,000 general fund each year as a transfer to the indirect cost pool in the Central Services program.

Grants and local assistance include the distribution of state and federal assistance funds, such as special education, school transportation, vocational education, and school foods to local school districts. The LFA current level budget maintains the fiscal 1991 appropriation for these grants.

Current level funding for OPI, exclusive of the Distribution to Schools program, is 43 percent general fund, 41 percent federal, 12 percent proprietary, and 4 percent state special revenue. The Distribution to Schools program is approximately 89 percent general fund, 8 percent federal, and 3 percent state special revenue.

Executive Budget Modifications 1993 Biennium

<u>Budget Modifications</u>	<u>FTE FY92</u>	<u>FTE FY93</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
1) Fees & Assessments			\$ 61,000		\$ 61,000
2) Audiology			136,000		136,000
3) At Risk	1.0	1.0	80,150		80,150
4) Expanded food coop				\$ 26,032	26,032
5) Bicentennial Comp				15,000	15,000
6) Chapter I				100,000	100,000
7) Dist to disadv students				180,000	180,000
8) EHA				642,000	642,000
9) Race Equity				50,000	50,000
10) Drug Free	2.0	2.0		264,980	264,980
11) AIDS Education	1.5	1.5		198,000	198,000
12) Nutritional Education				25,000	25,000
13) Chapter II				283,686	283,686
14) Dist - Migrant				640,000	640,000
15) Bilingual	0.5	0.5		50,000	50,000
16) National Origins	0.5	0.5			
17) School Foods	0.5	0.5			
Total	6.00	6.00	\$277,150	\$2,474,698	\$2,751,848

The Executive Budget includes the budget modifications listed above. The Superintendent of Public Instruction will request the additional budget

modifications shown in the following table. These budget modifications are not included in the Executive Budget.

OFFICE OF PUBLIC INSTRUCTION

Both types of budget modifications are discussed in the program narratives.

Elected Official Budget Modifications

1993 Biennium

<u>Budget Modifications</u>	<u>FTE FY92</u>	<u>FTE FY93</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
1) Indicator System	3.0	3.0	\$ 206,495	\$ 30,000	\$ 236,495
2) Special Ed inflation			4,600,000		4,600,000
3) Gifted & Talented	1.0	1.0	87,943	1,500,000	1,587,943
4) Accreditation	1.0	1.0	109,444		109,444
5) Gender Equity	0.5	0.5	55,116		55,116
6) Special Ed Staff	2.0	2.0	128,302		128,302
7) Foundation & GTB Inflation				55,317,734	55,317,734
8) At-Risk Students	—	—	<u>66,118</u>	—	<u>66,118</u>
Total	7.5	7.5	\$5,253,418	\$56,847,734	\$62,101,152

STATE SUPERINTENDENT'S OFFICE

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	16.00	7.00	16.00	16.00	9.00
Personal Services	575,576	281,450	582,045	580,828	35.69%
Operating Expenses	126,128	136,681	128,955	130,062	-1.44%
Equipment	<u>5,701</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-100.00%</u>
Total Program	\$707,405	\$418,131	\$711,000	\$710,890	26.33%
<u>Fund Sources</u>					
General Fund	675,743	418,131	681,092	680,979	24.52%
Federal Revenue Fund	<u>31,662</u>	<u>0</u>	<u>29,908</u>	<u>29,911</u>	<u>88.93%</u>
Total Funds	\$707,405	\$418,131	\$711,000	\$710,890	26.33%

Program Description

The State Superintendent's Office provides leadership, direction, and coordination of services to a variety of school and public groups. The staff provides assistance to the Superintendent of Public Instruction in performing prescribed duties. The program also supports the Superintendent's statutory role with the Board of Public Education, Board of Regents, and Land Board.

Current Level Budget

Due to internal reorganization, the State Superintendent's Office increased 9.0 FTE from the level appropriated by the Fifty-first Legislature. Legal services and accreditation personnel

were transferred into this program from the Central Services and Educational Services programs. The fiscal 1991 appropriation reflects the FTE and appropriated levels prior to the reorganization, while fiscal 1990 actual expenditures reflect the reorganization and are the base for the LFA current level budget for the 1993 biennium.

The LFA current level budget contains approximately \$3,500 more operating expenses each year of the 1993 biennium than fiscal 1990 actual expenditures. Personal services increase \$6,400 in fiscal 1992 and \$5,300 in fiscal 1993 due to the fiscal 1991 pay plan increase continuing in the 1993 biennium. Operating expenses increase slightly due to inflationary adjustments. No equipment is included in the LFA current level budget.

CENTRAL SERVICES

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	32.85	40.50	32.85	32.85	-7.65
Personal Services	947,498	1,187,624	1,005,243	1,004,165	-5.89%
Operating Expenses	496,005	1,155,853	495,646	474,227	-41.29%
Equipment	63,829	28,095	28,000	22,000	-45.61%
Transfers	360,000	0	334,000	334,000	85.56%
Total Program	\$1,867,332	\$2,371,572	\$1,862,889	\$1,834,392	-12.78%
<u>Fund Sources</u>					
General Fund	1,043,304	1,431,923	1,037,206	1,014,326	-17.12%
State Revenue Fund	4,965	5,000	5,000	5,000	.35%
Federal Revenue Fund	52,972	27,784	54,000	54,000	33.74%
Proprietary Fund	766,091	906,865	766,683	761,066	-8.68%
Total Funds	\$1,867,332	\$2,371,572	\$1,862,889	\$1,834,392	-12.78%

Program Description

The Central Services program is responsible for the distribution and accounting of state and federal funds provided to school districts. The program provides data processing, word processing, purchasing, legal, payroll, personnel, mail, analytical and accounting support to operations within the Office of Public Instruction. This program also responds to requests for information and data from school districts, federal programs, elected officials, and the general public. Reference library and school publications functions also reside within the program.

Current Level Budget

The Central Services program has been reduced by 7.65 FTE from the level appropriated for the 1991 biennium due to internal reorganization. In the table above, actual fiscal 1990 reflects the new organizational structure. Fiscal 1991 reflects the appropriated level prior to reorganization. The LFA current level budget uses the actual fiscal 1990 expenditures as the base for the 1993 biennium budget.

The LFA current level budget decreases \$4,430 from fiscal 1990 to 1992 and

\$32,940 from fiscal 1990 to 1993. Significant changes from fiscal 1990 include: 1) personal services increase \$57,800 in fiscal 1992 and \$56,600 in fiscal 1993 primarily due to vacancy savings in fiscal 1990 and fiscal 1991 pay plan increases continuing in the 1993 biennium; 2) publication costs decrease approximately \$10,500 in fiscal 1992 and \$34,500 in fiscal 1993 at the agency's request to reflect a more normal level and biennial cycle; 3) audit costs are budgeted at \$24,000 each year of the 1993 biennium, reflecting a \$6,500 reduction from fiscal 1990; 4) inflation increases operating costs by \$3,500 in fiscal 1992 and \$2,900 in fiscal 1993; and 5) equipment funding decreases approximately \$36,000 in fiscal 1992 and \$42,000 in fiscal 1993 from the fiscal 1990 level. The LFA current level equipment budget includes \$50,000 in the 1993 biennium to purchase personal computers and portable laptop computers for field use.

The \$334,000 transfer budget is the general fund transfer to the indirect cost pool. The general fund contributes approximately 44 percent to the indirect cost pool. The \$1,383,532 biennium general fund balance supports other program functions. Other current level funding sources include \$54,000 federal funds and \$5,000 state special revenue from library service fees each year of the 1993 biennium.

CENTRAL SERVICES

Executive Budget Modification

Fees and Assessments

The Office of Public Instruction holds superintendents' and Chapter I conferences, for which it charges fees designed to make the conferences self-supporting. Prior to fiscal 1990, the conference fees and costs were not recorded in the Statewide Budget and Accounting System (SBAS) nor was there any legislative appropriation for this purpose. In fiscal 1990, OPI began depositing conference fees into the general fund, using general fund expenditure authority originally intended for other program areas to cover conference costs. The Executive Budget includes \$61,000 general fund for the 1993 biennium for the cost of these

conferences. Any conference fees and assessments collected will be deposited in the general fund.

Elected Official Budget Modification

Indicator System

This budget modification request would provide three staff and related expenses to establish a state education indicators system and to compile and analyze existing district, secondary vocational education, adult education, GED, curriculum accreditation, assessment, and certification information resident within the Office of Public Instruction. OPI requests \$206,495 general fund and \$30,000 school equalization account funding for the 1993 biennium for this new program.

EDUCATIONAL SERVICES

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	75.55	76.90	73.05	71.55	-5.35
Personal Services	2,156,838	2,466,293	2,379,791	2,311,406	1.47%
Operating Expenses	1,475,296	1,573,279	1,565,099	1,558,864	2.47%
Equipment	115,634	55,257	26,260	23,976	-70.60%
Local Assistance	14,051	0	0	0	-100.00%
Grants	14,796	0	20,800	26,800	221.71%
Total Program	\$3,776,615	\$4,094,829	\$3,991,950	\$3,921,046	.53%
<u>Fund Sources</u>					
General Fund	1,028,100	1,080,390	1,093,515	1,060,099	2.14%
State Revenue Fund	297,484	284,475	284,378	284,378	-2.27%
Federal Revenue Fund	2,451,031	2,729,964	2,614,057	2,576,569	.19%
Total Funds	\$3,776,615	\$4,094,829	\$3,991,950	\$3,921,046	.53%

Program Description

The Educational Services program administers all federal grants received by the Office of Public Instruction. The program includes the budgets for six functions: 1) curriculum assistance; 2) special education; 3) Chapter I administration; 4) secondary vocational education administration; 5) Title IV administration; and 6) other educational services including driver's education, school food services, and audiology.

remained vacant through September 1990. Funding cutbacks in Carl Perkins vocational educational administrative funds result in the removal of an additional 1.0 FTE and \$25,000 in fiscal 1992 and 2.5 FTE and \$96,600 in fiscal 1993.

Despite these FTE reductions, personal services increase \$223,000 in fiscal 1992 and \$154,569 in fiscal 1993 due to continuing the fiscal 1991 pay plan increase into the 1993 biennium and vacancy savings that occurred in fiscal 1990.

Current Level Budget

The Educational Services program transferred 1.35 FTE to the Superintendent's program as part of the reorganization. This transfer is reflected above in the fiscal year 1990 actual column. Fiscal year 1991 reflects the appropriation prior to the reorganization.

The LFA current level budget provides a \$215,335 increase in fiscal 1992 and a \$144,431 increase in fiscal year 1993 from fiscal 1990. The current level budget deletes 2.5 FTE in fiscal 1992 and 4.0 FTE in fiscal 1993. A 1.0 FTE program manager position and a 0.5 FTE administrative assistant position are deleted because the positions were vacant most or all of fiscal 1990 and

Operating increases include: 1) inflationary adjustments of \$19,000 in fiscal 1992 and \$23,000 in fiscal 1993; and 2) an increase in contracted services from \$504,000 in 1990 to approximately \$565,000 each year of the 1993 biennium.

The LFA current level equipment budget includes \$26,260 in fiscal 1992 and \$23,976 in fiscal 1993 for computer hardware and audiovisual and audiology equipment. The agency is converting from a mainframe-based computer system to one based upon networking personal computers.

The Educational Services program is budgeted in six functional areas, which are summarized in Table 1.

EDUCATIONAL SERVICES

Table 1
Educational Services Program
Budget Detail - 1993 Biennium

----- Fiscal Year 1992 -----					----- Fiscal Year 1993 -----				
Sub Program	FTE	General Fund	Other Fund	Total Funds	FTE	General Fund	Other Fund	Total Funds	
Curriculum	18.00	\$ 446,866	\$ 420,854	\$ 867,720	18.00	\$ 446,326	\$ 418,274	\$ 864,600	
Chapter I	7.25	0	349,046	349,046	7.25	0	349,572	349,572	
Special Ed	10.50	38,521	473,464	511,985	10.50	38,395	473,241	511,636	
Vo Educ	8.98	162,128	212,589	374,717	7.48	126,878	177,378	304,256	
Title IV	2.50	0	214,580	214,580	2.50	0	214,580	214,580	
Other Ed services	25.82	446,000	1,227,902	1,673,902	25.82	448,500	1,227,902	1,676,402	
Total	73.05	\$1,093,515	\$2,898,435	\$3,991,950	71.55	\$1,060,099	\$2,860,947	\$3,921,046	

Issue

Vocational Education - Job Training Partnership Act

The reauthorization of the federal Carl Perkins Vocational Education Act decreases the total amount of federal funds available for state administration from approximately \$310,000 to \$250,000 per year. The Commissioner of Higher Education is the governing authority of the vocational-technical centers and contracts with OPI to serve secondary schools. Because of this reduction, OPI will receive approximately \$12,500 less in fiscal 1992 and \$48,300 less in fiscal 1993. This is discussed in detail on pages F-27 and F-28. Since these federal vocational education funds require a general fund match, the current level budget reduces the general fund a like amount each year of the 1993 biennium. This reduction in federal and general fund results in the removal of 1.0 FTE in fiscal 1992 and 2.5 FTE in fiscal 1993.

Executive Budget Modifications

Audiology Program

This program provides hearing tests and services to children around the state. For the 1989 and 1991 biennia, the program was funded from state funds and

from a US WEST donation. In 1990, US WEST informed OPI that it would no longer contribute to the program beyond the 1991 fiscal year. The Executive Budget includes \$68,000 general fund each year of the 1993 biennium to partially replace the lost US WEST contribution.

At Risk Child Intervention

The Executive Budget includes 1.0 FTE and associated operating costs totaling \$80,150 from the general fund to develop a program designed to help "at risk" students stay in school. "At risk" children are defined as those who are experiencing trouble in school or who have substance abuse problems or other problems which make them likely to drop out of school.

Expanded Coop Food Purchase

OPI acts as a purchasing agent of school food supplies for school districts requesting those services. In return, OPI levies a 2 percent surcharge to pay for the service. Although OPI has generated enough income to support the coop food purchase service in prior years, it used federal school foods administrative funds to supplement the coop food purchase function. In fiscal 1990, the federal government informed OPI that administrative funds could no longer be used for this purpose. Consequently, OPI received budget

EDUCATIONAL SERVICES

amendments in fiscal years 1990 and 1991 to add additional authority to fully fund this function with the surcharge. The Executive Budget includes \$12,500 in fiscal 1992 and \$13,532 in fiscal 1993 in additional spending authority to fully fund this function from the two percent surcharge. Addition of the budget modification would give OPI total authority of \$33,597 in fiscal 1992 and \$34,449 in fiscal 1993.

National Bicentennial Competition

The Executive Budget includes \$7,500 federal authority each year of the 1993

biennium for administration of the National Bicentennial Competition on the Constitution and Bill of Rights.

Additional Federal Authority for Existing Grants

OPI receives federal funding for a variety of purposes. Each session, the federal funds are estimated for appropriation purposes. The Executive Budget recommends additional federal authority over the appropriated fiscal 1990 amount in the following areas as shown in Table 2 and discussed below.

Table 2
Federal Grant Budget Modifications
1993 Biennium

- - - - - Annual Increase - - - - -				
<u>Program</u>	<u>Fiscal 1990 Appropriation</u>	<u>Modified FTE</u>	<u>Modified Funding</u>	<u>Requested Total</u>
Chapter I	\$ 325,000		\$ 50,000	\$ 375,000
Distribution -	0		90,000	90,000
Disadv. Students				
EHA*	543,000		300,000	843,000
Race Equity	21,018		25,000	46,018
Drug Free	50,000	2.0	132,490	182,490
AIDS Education	121,000	1.5	99,000	220,000
Nutritional Educ.	50,000		12,500	62,500
Chapter II	397,861		141,843	539,704
Dist. - Migrant	0		320,000	320,000
Bilingual	50,000	0.5	25,000	75,000
National Origins		0.5		
School Foods		0.5		
Total	\$1,557,879	5.0	\$1,195,833	\$2,753,712

*\$342,000 requested in fiscal 1993.

1) Disadvantaged Students Program Improvements - \$90,000 each fiscal year. These are federal flow-through grants to school districts which will be added to Program 09: Distribution to Public Schools. The program began in fiscal 1990, when \$90,000 was added via budget amendment.

2) Chapter 1 program improvements - \$50,000 each fiscal year for a total request of \$375,000 each fiscal year. The federal government has increased the state's Chapter I administration grant by \$50,000 each fiscal year to implement the new Chapter I program improvement requirements for disadvantaged students.

EDUCATIONAL SERVICES

3) EHA (Education of the Handicapped) - \$300,000 in fiscal 1992 and \$342,000 in fiscal 1993 for a total budget of \$843,000 in fiscal 1992 and \$885,000 in fiscal 1993. The requested increase is due to: a) an estimated increase in the grant award from the federal government; and b) the use of prior years' carryover and set-aside funds.

4) Race equity - \$25,000 each fiscal year for a total request of \$46,018 each fiscal year. The increase is due to an increase in the grant award and would be used to provide additional technical assistance to schools on or near Indian reservations or those that have other minority children enrolled.

5) Drug free schools and communities - \$132,490 each fiscal year for a total request of \$182,490 per year. The increased federal funds would be used to add 2.0 FTE and related expenses to provide technical assistance and services to schools. OPI added 0.5 FTE and \$49,490 via budget amendment in fiscal 1990.

6) AIDS education - \$99,000 each fiscal year for a total request of \$220,000 per year. One and one-half FTE and related expenses would be added to provide additional technical assistance and services to schools. The amount requested represents the anticipated grant award. OPI added \$77,000 via budget amendment for this program in fiscal 1990.

7) Nutritional education and training - \$12,500 each fiscal year for a total request of \$62,500 per year. Additional authority is requested for an increased grant award, which would be used to provide additional nutritional education training workshops.

8) Chapter 2 - \$141,843 each fiscal year for a total request of \$539,704 per year. Increased federal funding is available due to additional program requirements and an increase in carry-over funds from previous years' grants.

9) Migrant grants - \$320,000 each fiscal year. These are federal flow-through funds to the local school districts through OPI. Migrant grant

monies were previously accounted for in the agency fund and were not appropriated by the legislature. The funds would be added in Program 09: Distribution to Public Schools.

10) Bilingual grant - \$25,000 each fiscal year for a total request of \$75,000 each fiscal year. This addition is requested due to an increase in the federal grant award. A 0.5 FTE would be added. OPI added \$24,800 in authority in fiscal 1990 via a budget amendment.

11) National Origins - No funding added. This grant is not expected to change from the fiscal 1990 appropriated level. OPI requests that 0.5 FTE be added to perform work currently being done under contract in order to comply with the grant as approved by the Department of Education.

12) School Foods Division - No funding added. The grant level for this program is not expected to change. OPI requests the addition of 0.5 FTE to make the program specialist full-time. OPI plans to use the funds that had been subsidizing coop food purchases to expand this program. There is currently \$67,277 of general fund in the school foods program, which represent the required maintenance of effort in order to be eligible for federal funding.

Elected Official Budget Modifications

Accreditation

The Office of Public Instruction requests \$109,444 general fund in the 1993 biennium for 1.0 FTE and operating expenses to assist schools in designing curriculums and assessment procedures. In order to comply with the new accreditation standards (which will be phased in over the period 1989-2001), schools must establish curriculum and assessment development processes for each curriculum area.

Gender Equity

OPI is under federal court order to perform certain activities related to gender equity each year in school districts. Federal funds for this

EDUCATIONAL SERVICES

purpose have been reduced over the last several years. This modification requests \$55,116 of general fund during the biennium for a 0.5 FTE administrative assistant and to pay the costs of conducting court-ordered conferences for approximately 100 school administrators and teachers each year.

Special Education Staffing

OPI requests \$128,302 general fund in the 1993 biennium to fund 2.0 FTE (a special education budget officer and an administrative assistant) to assist the existing special education director in

the administration of the \$39 million special education program. The distribution of special education funds is based on an individual merit review of each budget application.

At Risk Students

OPI requests \$66,118 general fund in the 1993 biennium to expand "at risk" programs to Montana's rural schools through a program offering demonstrations projects, training and conferences. The purpose of "at risk" programs is to identify students who are potential school dropouts and encourage completion of their education.

DISTRIBUTION TO PUBLIC SCHOOLS

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	.00	.00	.00	.00	.00
Operating Expenses	16,911	0	0	0	-100.00%
Local Assistance	41,982,317	43,168,937	43,168,940	43,168,940	1.39%
Grants	5,421,893	4,132,782	4,132,800	4,132,800	-13.49%
Total Program	\$47,421,121	\$47,301,719	\$47,301,740	\$47,301,740	-.13%
Fund Sources					
General Fund	42,098,822	41,968,937	41,968,940	41,968,940	-.16%
State Revenue Fund	1,200,000	1,200,000	1,200,000	1,200,000	.00%
Federal Revenue Fund	4,122,299	4,132,782	4,132,800	4,132,800	.13%
Total Funds	\$47,421,121	\$47,301,719	\$47,301,740	\$47,301,740	-.13%

Program Description

The Distribution to Public Schools program is used by the Office of Public Instruction to distribute various funds to local education agencies.

Current Level Budget

Table 3 shows the amounts distributed to local school districts by category.

Table 3
Distribution to Public Schools

	Actual Fiscal 1990	Appropriated Fiscal 1991	- - - Current Fiscal Year 1992	Level - - - Fiscal Year 1993	Change 1991-93 Biennium
General Fund Programs					
Special Education	\$33,350,531	\$33,361,646	\$33,361,646	\$33,361,646	0.02%
Special Education Contingency	486,907	500,000	500,000	500,000	1.33%
Transportation	6,458,483	6,252,894	6,252,894	6,252,894	-1.62%
School Lunch	599,397	599,397	599,400	599,400	0.00%
Gifted & Talented	99,867	100,000	100,000	100,000	0.07%
Secondary Vocational Education	899,730	900,000	900,000	900,000	0.02%
Adult Education	200,000	250,000	250,000	250,000	11.11%
Impact Aid	3,908	5,000	5,000	5,000	12.26%
Total General Fund	\$42,098,822	\$41,968,937	\$41,968,940	\$41,968,940	-0.15%
State Special Revenue					
Traffic Safety Distribution	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	0.00%
Federal Discretionary Funds					
EHA-B	\$ 198,500	\$ 505,000	\$ 505,000	\$ 505,000	43.57%
JTPA	222,873	508,602	508,600	508,600	-1.38%
Adult Basic Ed	539,018	429,968	429,000	429,000	-2.82%
McKinney Homeless	63,806	70,212	70,200	70,200	0.02%
Preschool Incentive	258,003	50,000	50,000	50,000	-67.53%
Vocational Education	2,540,099	2,500,000	2,500,000	2,500,000	-0.80%
Total Federal Funds	\$4,122,299	\$4,132,782	\$4,132,800	\$4,132,800	0.13%
Total Distribution to Public Schools Program	\$47,421,121	\$47,301,719	\$47,301,740	\$47,301,740	-0.13%

DISTRIBUTION TO PUBLIC SCHOOLS

Special Education

Federal and state laws require school districts to provide an appropriate public education program for all handicapped children. Special education provides this education for children with a variety of handicapping conditions. OPI estimates the total allowable costs for special education will be \$43.8 million in fiscal 1992 and \$46.8 million in fiscal 1993. The current level budget continues general fund at the fiscal 1991 appropriated level of \$33,361,646 each year of the 1993 biennium. The remaining \$10.5 million in fiscal 1992 and \$13.4 million in fiscal 1993 is funded by local school

district funds. Table 4 shows the estimated total allowable special education costs, the state and local share of special education costs for fiscal years 1989 through 1993, and the estimated cost increase from fiscal 1989 to 1993. As Table 4 shows, total allowable costs as estimated by OPI increase 29.8 percent from fiscal 1989 to 1993. The current level budget's state share would increase 21.9 percent and the district's share would increase 54.8 percent over the same time period. OPI is requesting a budget modification for the 1993 biennium to increase the state share.

Table 4
Authorized Special Education Costs

<u>Fiscal Year</u>	<u>Estimated Allowable Cost</u>	<u>State Share</u>	<u>District Share</u>
1989	\$36,043,776	\$27,361,646	\$ 8,682,130
1990	38,165,107	33,350,531	4,814,576
1991	41,006,568	33,361,646	7,644,922
1992	43,846,861	33,361,646	10,485,215
1993	46,800,704	33,361,646	13,439,058
Percent Change FY 1989-1993	29.8%	21.9%	54.8%

Source: Office of Public Instruction

Table 5 shows the number of special education students served in Montana from fiscal 1983 to 1993, total general fund expenditures, and the general fund expenditures per student over the same time period. The number of students

served decreased from fiscal 1983 to 1986, but has steadily increased from fiscal 1987 to the present. The general fund support per student generally increased between fiscal 1983 and 1991 but is projected to decrease in the current level budget in the 1993 biennium.

DISTRIBUTION TO PUBLIC SCHOOLS

Table 5
Special Education Students & General Fund Support

Fiscal Year	Students	General Fund Support	General Fund Support Per Student
1983	14,871	\$25,347,864	\$1,705
1984	15,132	26,197,563	1,731
1985	15,377	27,248,933	1,772
1986	14,859	27,450,020	1,847
1987	14,755	26,815,440	1,817
1988	14,784	27,352,686	1,850
1989	15,068	27,316,524	1,813
1990	15,713	33,350,531	2,122
1991*	16,342	33,361,646	2,042
1992*	16,668	33,361,646	2,001
1993*	17,002	33,361,646	1,962

*Estimated

Source: Office of Public Instruction

Special Education Contingency

Special education contingency funds are awarded by OPI to meet unexpected needs in district special education budgets. The current level budget includes \$500,000 per year in the 1993 biennium for this purpose.

Transportation

School districts providing student transportation from home to school in excess of three miles are entitled to a statutory reimbursement based upon rate per mile, bus size, and occupancy. The state's share of this reimbursement for regular students is one-third of the statutory rate and two-thirds for special education students. The current level budget includes \$6,252,894 general fund each year of the 1993 biennium for the state's share of reimbursable transportation costs. This continues the level appropriated by the 1989 legislature for the 1991 biennium. The program received a \$205,589 supplemental in fiscal 1990 and is requesting a supplemental in fiscal 1991.

School Foods

School foods funds provide for the state's required maintenance of effort

for federal school food reimbursements. Each state must expend up to 30 percent of the federal contribution in the base 1980-1982 school year. Reductions in this required maintenance of effort level are allowed for states whose average income is below the national average. Montana's matching rate is expected to be approximately 23.93 percent (\$599,400 of general fund) each year of the 1993 biennium.

Secondary Vocational Education

The current level budget includes \$900,000 in the 1993 biennium for secondary vocational education grants to local school districts, which reflects the 1989 legislature's appropriation. These grants fund "excess" costs associated with secondary vocational education programs and are in addition to school foundation funds and district levies. "Excess" costs are those additional costs for vocational education not associated with other programs, such as additional equipment and full year teaching contracts.

Impact Aid

Section 20-9-304, MCA, allows supplementary payments to school districts that provide education to

DISTRIBUTION TO PUBLIC SCHOOLS

children of employees of public institutions. The LFA current level of \$5,000 of general fund each year maintains the 1991 biennium level.

Gifted and Talented

The Gifted and Talented program was initiated in fiscal 1982 to provide funds to local school districts to begin or maintain programs for gifted and talented students. The current level budget includes \$100,000 general fund each year of the 1993 biennium for this program, which continues the level appropriated for the 1991 biennium.

Adult Basic Education

Adult Basic Education provides high school level education to persons who wish to receive their high school equivalency degree. The 1989 legislature funded Adult Basic Education at \$200,000 in fiscal 1990 and \$250,000 in fiscal 1991 from the general fund. The LFA current level budget includes \$250,000 general fund each year of the 1993 biennium. In addition, \$499,000 of federal discretionary funds for adult basic education are expected to be awarded each year of the 1993 biennium to OPI for grants to local school districts.

Federal Discretionary Funds

These funds are received from the U.S. Department of Education for use by local school districts in the manner prescribed by each federal act authorizing the grants. Because OPI has discretion regarding the final grant recipients, these funds must be appropriated by the legislature. The current level budget includes: 1) \$505,000 each year for the Education of the Handicapped Act; 2) \$508,600 each year for the Job Training Partnership Act; 3) \$499,000 each year for Adult Basic Education; 4) \$70,200 each year for the McKinney Homeless Act; and 5) \$50,000 each year for pre-school handicapped programs.

Elected Official Budget Modifications

Special Education Allowable Cost Inflation

The Superintendent is requesting an inflationary increase in the state support for special education. According to OPI, maintenance of the level of equalization provided by the 1989 legislature will require 4.66 percent per year annual inflationary increases. The cost is \$1.5 million of general fund in fiscal 1992 and \$3.1 million in fiscal 1993.

Gifted and Talented Education Equalization

OPI requests 1.0 additional staff and funding for the gifted and talent program. The requested funding is for the average appropriation for gifted and talented education in the surrounding states. The request includes \$87,943 general fund and \$1,500,000 from the school equalization account during the biennium.

Foundation Program and GTB Subsidy

The Superintendent is requesting \$55,317,734 in school equalization account funding to provide inflationary adjustment (4.5 percent in fiscal 1992 and 4.8 percent in fiscal 1993) in the school foundation schedules and guaranteed tax base (GTB) subsidies to local school districts. The Superintendent says these inflationary adjustments are necessary to maintain the level of state support enacted by the legislature for the 1991 biennium. More detail on the foundation program and the GTB subsidy are provided in the School Foundation Program section in Volume I.

Issue

School equalization account

Under current law, the school equalization account will have a deficit of more than \$230 million by the end of fiscal 1993 (based on the LFA current level budget and revenue estimates).

DISTRIBUTION TO PUBLIC SCHOOLS

Effective July 1, 1991, House Bill 28 eliminated the portion of income and corporation taxes previously allocated to this account. A transfer from the general fund will be necessary to keep this account solvent during the 1993

biennium. Therefore, budget modification requests which include funding from the school equalization account will, if approved, increase the deficit and require transfer of additional general fund to the account.



HIGHER EDUCATION

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

COMMISSIONER OF HIGHER EDUCATION

Budget Item	Executive Current Level		LFA Current Level		Executive Over (Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	60.15	60.15	57.15	57.15	3.00
Personal Services	1,846,220	1,842,437	1,729,703	1,726,227	232,727
Operating Expenses	1,962,563	1,966,097	1,878,623	1,857,515	192,522
Equipment	26,716	26,716	31,000	31,000	(8,568)
Local Assistance	3,451,755	3,455,255	3,453,591	3,457,091	(3,672)
Grants	7,410,881	7,427,432	6,833,480	6,874,341	1,130,492
Benefits and Claims	12,560,000	15,060,000	12,689,935	14,964,223	(34,158)
Transfers	120,554,862	120,219,907	2,651,931	2,589,562	235,533,276
Debt Service	<u>706,255</u>	<u>698,153</u>	<u>706,255</u>	<u>698,153</u>	<u>0</u>
Total Agency	\$148,519,252	\$150,695,997	\$29,974,518	\$32,198,112	\$237,042,619
<u>Fund Sources</u>					
General Fund	114,809,476	114,240,630	9,982,693	10,036,896	209,030,517
State Revenue Fund	12,485,383	12,732,504	0	0	25,217,887
Federal Revenue Fund	7,677,381	7,676,047	6,228,510	6,113,834	3,011,084
Proprietary Fund	<u>13,547,012</u>	<u>16,046,816</u>	<u>13,763,315</u>	<u>16,047,382</u>	<u>(216,869)</u>
Total Funds	\$148,519,252	\$150,695,997	\$29,974,518	\$32,198,112	\$237,042,619

Executive Budget Comparison

The Executive Budget is \$237,042,619 higher than the LFA current level budget in this comparison because the Executive Budget includes the transfer of general fund, mill levies, and federal funds to the six units and vocational-technical centers in the Commissioner of Higher

Education budget. The LFA current level budget includes these funds within the six units and vocational-technical centers. After subtracting out these transfers, the Executive Budget is \$844,026 higher than the LFA current level. Table A below summarizes the major differences between the Executive Current Level Budget and the LFA Current Level Budget.

COMMISSIONER OF HIGHER EDUCATION

Table A
Executive Current Level Budget Over/(Under)
LFA Current Level Budget
1993 Biennium

<u>Item</u>	<u>General Fund</u>	<u>State Special Revenue</u>	<u>Federal Revenue</u>	<u>Proprietary</u>	<u>Total</u>
Positions Deleted	\$ 62,380		\$ 172,747		\$ 235,127
Group Insurance				\$(179,781)	(179,781)
Vo-Ed Funding Chg.-Admin	(79,055)		25,289		(53,766)
GSL-Reinsurance			255,326		255,326
Student Assistance Prog.	(420,436)				(420,436)
Vo-Ed Grants/Transfers			885,773		885,773
Fixed Cost Diff.-Admin.	79,199				79,199
Adj Base and Other OE Diff.	34,790		56,827	(37,088)	54,529
Computer Equip. Replace.	(8,742)				(8,742)
Appropriation Trans.	209,365,758	\$25,217,887	1,614,948		236,198,593
Miscellaneous Diff.	(3,377)		174		(3,203)
Total	\$209,030,517	\$25,217,887	\$3,011,084	\$(216,896)	\$237,042,619

Issues

Positions Deleted

The LFA current level budget eliminates 3.0 FTE because the positions had been vacant all or a significant portion of fiscal 1990 and remained vacant through September 1990. One-half FTE was removed from the Administration program and 2.5 FTE were removed from the Guaranteed Student Loan program. The position deletions cause the Executive Budget to exceed the LFA current level budget by a total of \$235,127 in the 1993 biennium, funded \$62,380 from general fund and \$172,747 from federal funds.

Group Insurance

The Executive Budget provides \$82,000 less for contracted claims administration expense, \$63,623 less for campus wellness programs, and \$34,158 less for claims expense in the 1993 biennium than included in the LFA current level budget. This program is funded with the proprietary fund.

The LFA current level budget increases contract claims administration and util-

ization management costs because the total number of plan participants (one of two variables that drives these costs) is expected to increase in the 1993 biennium. Wellness funds are included in the LFA current level budget at the fiscal 1991 budgeted level. The slight difference in the claims estimate is due to rounding.

Vocational-Technical Education Administration Funding

The Executive Budget includes \$79,055 less general fund and \$25,289 more federal funds in the Vocational-Technical Administration program than the LFA current level budget. In response to changes made in the reauthorization of the federal Carl Perkins vocational-education act, the LFA current level budget increased operating expenses \$133,934 in the 1993 biennium to address the new federal requirement that gender equity funds be matched dollar for dollar with state funds. This increase was offset \$80,168 by a reduction in federal funds for other vocational-technical education administration.

COMMISSIONER OF HIGHER EDUCATION

Guaranteed Student Loan Reinsurance

The Executive Budget includes \$255,326 more in the 1993 biennium for reinsurance costs than the LFA current level budget. Most of this difference (\$200,000) is due to a contingency request from the agency in the event the loan default rate exceeds 5 percent. The remaining difference is attributable to the LFA current level budget including the actual fiscal 1990 expenditure for this expense (\$122,506 per year) and the Executive Budget including the agency's request (\$150,000 per year).

Student Assistance Programs

The Executive Budget recommends \$420,436 less for the interstate student assistance programs than included in the LFA current level budget because it reduces the total number of funded slots in the WICHE and Minnesota Rural Dentistry programs by six in fiscal 1992 and an additional nine in fiscal 1993.

Vocational-Technical Education Grants and Transfers

The Executive Budget includes \$885,773 more for vocational-technical education grants and transfers than the LFA current level budget because of the different federal revenue estimates used. The LFA current level budget includes only the basic grant from the Carl Perkins Act. Revenue estimates for special grants authorized by the act are expected to be available during the legislative session.

Fixed Cost Differences

The Executive Budget includes \$79,199 higher Tort Claims insurance premiums and legislative audit costs in the 1993 biennium than included in the LFA current level budget. This is discussed as an "Issue" in the program narrative.

Adjusted Base Differences

Differences attributable primarily to the use of the fiscal 1991 appropriation as a base result in the Executive Budget including \$54,529 more operating expenses in the 1993 biennium. These

differences occur in the Administration, Talent Search, Guaranteed Student Loan, Vocational Education Administration, and Group Health Insurance programs.

Computer Equipment Replacement

The LFA current level budget includes \$8,742 more in the 1993 biennium for computer equipment replacement than included in the Executive Budget.

Appropriation Transfer

The Executive Budget includes \$236,198,593 of general fund, millage, and federal fund transfers to the six units and vocational-technical centers in the 1993 biennium budget for the Commissioner's Office. The LFA current level budget includes these funds within the units and centers.

Executive Budget Modifications

In addition to the \$63,016,656 (net of appropriation transfers) current level budget for the 1993 biennium, the Executive Budget contains \$230,182 for a modified budget request for the Commissioner of Higher Education. This budget modification is discussed in more detail in the agency narrative.

Board of Regents Budget Modifications

The Executive Budget does not include a number of budget modifications requested by the Board of Regents for the university system, vocational-technical centers, and community colleges. Since the Board of Regents plans to present these budget modifications (which total \$64.8 million) to the legislature, they are summarized in the following table for the legislature's information and reference. Some of these budget modification requests, which were received during the fall, have been included with the agency or program narratives. Most of the modification requests were either changed or were not officially adopted by the Board of Regents until a mid-December 1990 board meeting.

COMMISSIONER OF HIGHER EDUCATION

Board of Regents Budget Modification Requests 1993 Biennium Increase from 90/91 Biennium

	<u>Total Request</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total Funds</u>
University System-6 Units				
Formula Funding				
Enrollment Adjustment	\$ 3,611,014	\$ 3,611,014	\$ 0	\$ 3,611,014
Inflation and Peer Catch-up	36,629,701	41,761,162	(5,131,461)	36,629,701
Program Modifieds				
MSU-Museum of the Rockies	902,761	902,761		902,761
MSU-Nursing Placement	1,338,426	1,338,426		1,338,426
UM-Repertory Theatre	90,588	90,588		90,588
UM-Yellow Bay	94,742	94,742		94,742
EMC-Computer Equipment	981,550	981,550		981,550
EMC-Cntr Hndcp Children	81,200	81,200		81,200
EMC-New Space-Apsaruke Hall	20,000	20,000		20,000
MCMST-Analytical Research Ctr	960,233	960,233		960,233
MCMST-Haz Sub Groundwater	305,319	305,319		305,319
NMC-Malmstrom/GF Campus	657,961	657,961		657,961
System Modifieds				
Minimum Wage	661,808	661,808		661,808
MUSENET	853,120	853,120		853,120
EPSCOR	2,700,000	2,700,000		2,700,000
RERS (6 units)	348,034	348,034		348,034
Subtotal Six Units	<u>\$50,236,457</u>	<u>\$55,367,918</u>	<u>\$ (5,131,461)</u>	<u>\$50,236,457</u>
University System Agenices				
Inflation	\$3,999,859	\$3,202,704	\$797,155	\$3,999,859
Program Modifications				
AES-Soil Biology	293,128	293,128		293,128
AES-Biological Weed Control	185,564	185,564		185,564
AES-Grasshopper Mgmt	162,454	162,454		162,454
AES-Range Lvstk Nutrition	165,325	165,325		165,325
CES-Information Delivery	1,175,279	1,175,279		1,175,279
CES-Economic Development	482,879	482,879		482,879
CES-Forestry/Nat Res Educ	128,165	128,165		128,165
CES-Low Input Ag	91,598	91,598		91,598
FCES-Stewardship Practices	365,280	365,280		365,280
FSTS-Fed/State Standards	123,000	123,000		123,000
FSTS-New Space	45,800	45,800		45,800
FSTS-Training/Certification	35,222	35,222		35,222
CHE-Carl Perkins Admin	260,000	260,000		260,000
CHE-Student Assistance	410,126	410,126		410,126
CHE-Facilities Planner	103,700	103,700		103,700
CHE-Personnel Specialist	80,000	80,000		80,000
CHE-Director/Internal Audit	80,000	80,000		80,000
System Modification-RERS-CHE	<u>148,995</u>	<u>148,995</u>		<u>148,995</u>
Subtotal Univ Agencies	<u>\$8,336,374</u>	<u>\$7,539,219</u>	<u>\$797,155</u>	<u>\$8,336,374</u>

COMMISSIONER OF HIGHER EDUCATION

Vocational-Technical Centers

Funding Switch-Carl Perkins		\$1,607,037	\$ (1,607,037)	\$ 0
Salary Equity Pool	\$ 800,000	800,000		800,000
Capital Equipment Pool	500,000	500,000		500,000
Inflation	(44,897)	480,566	(525,463)	(44,897)
Audit/Insurance Adj	<u>(32,802)</u>	<u>(32,802)</u>		<u>(32,802)</u>
Subtotal Vo-Techs	<u>\$1,222,301</u>	<u>\$3,354,801</u>	<u>\$ (2,132,500)</u>	<u>\$1,222,301</u>

Community Colleges*

Inflation/State Supp Increase	<u>\$ 1,543,791</u>	<u>\$ 1,704,201</u>	<u>\$ (160,410)</u>	<u>\$ 1,543,791</u>
Regents Discretionary	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>	<u>\$ 0</u>	<u>\$ 3,500,000</u>
Total Request	<u>\$64,838,923</u>	<u>\$71,466,139</u>	<u>\$ (6,627,216)</u>	<u>\$64,838,923</u>

*Includes state and local share.

COMMISSIONER OF HIGHER EDUCATION

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	60.15	60.15	57.15	57.15	-3.00
Personal Services	1,478,065	1,796,331	1,729,703	1,726,227	5.54%
Operating Expenses	1,579,792	1,302,879	1,878,623	1,857,515	29.61%
Equipment	84,567	26,716	31,000	31,000	-44.29%
Local Assistance	3,269,011	3,250,691	3,453,591	3,457,091	6.00%
Grants	5,786,883	7,432,965	6,833,480	6,874,341	3.69%
Benefits and Claims	9,812,979	11,360,000	12,689,935	14,964,223	30.61%
Transfers	2,597,502	2,288,038	2,651,931	2,589,562	7.28%
Debt Service	730,905	717,068	706,255	698,153	-3.01%
Total Agency	\$25,339,704	\$28,174,738	\$29,974,518	\$32,198,112	16.18%
Fund Sources					
General Fund	9,105,483	9,587,798	9,982,693	10,036,896	7.10%
State Revenue Fund	237,705	0	0	0	-100.00%
Federal Revenue Fund	5,644,348	6,831,994	6,228,510	6,113,834	-1.08%
Proprietary Fund	10,352,168	11,754,946	13,763,315	16,047,382	34.85%
Total Funds	\$25,339,704	\$28,174,738	\$29,974,518	\$32,198,112	16.18%

Agency Description

The Commissioner of Higher Education is the chief administrative officer of the Montana University System. Article X, Section 9 of the Montana Constitution provides that the Board of Regents appoint the commissioner and prescribe the powers and duties of the office. The commissioner and agency personnel are responsible for providing leadership, technical assistance, and staff support to the Board of Regents and postsecondary education agencies to enable coordination, consistent regulations and management, evaluation of policies and programs, and long-range planning. The agency provides budgetary planning and funds distribution for the postsecondary education agencies under its control, as well as administration for both state and federal student assistance programs.

Current Level Budget

The Commissioner's Office agency budget increases 16.2 percent in the 1993 biennium due primarily to increased health claims costs, increased interstate student assistance program

costs, and increased assistance to the community colleges caused by higher enrollment. These increased program costs are offset by lower administrative costs in the Administration program, the Guaranteed Student Loan program and the Group Insurance program.

Three positions were removed from the current level budget because they were vacant all or a major portion of fiscal 1990 and have remained vacant in fiscal 1991. Personal services increase 5.5 percent in the current level budget due to vacancy savings experienced in fiscal 1990 and the fiscal 1991 pay plan continuation in fiscal 1992 and 1993.

While operating expenses show a significant increase in the table, this is due to \$587,000 of administrative expense formerly recorded as benefits being reclassified as operating expenses in each year of the 1993 biennium. The equipment budget is reduced 44.3 percent because one-time equipment purchases resulting from moving the guaranteed student loan servicing function to Helena are not continued into the 1993 biennium.

Local assistance is the state support for the community colleges and the

COMMISSIONER OF HIGHER EDUCATION

Western Interstate Commission for Higher Education (WICHE) administrative fee. Community college support increases because of higher enrollment in fiscal 1989 and 1990. The WICHE administrative fee has increased 9.7 percent in the 1993 biennium.

Grants and transfers include the interstate student assistance programs, federal student aid programs, state work study, federal vocational education grants for postsecondary and secondary institutions, and other federal grants. Benefits and claims include estimated insurance claims costs for faculty and staff covered by the Montana State University Group Insurance program in fiscal 1992 and 1993. In the 1991 biennium, this expenditure category also included claims administration and premium costs. The current level budget includes a 19 percent per year growth in health insurance claims in the 1993 biennium.

Debt service includes the bond payments necessary to acquire the vocational-technical center buildings from the local high school districts in Billings, Butte, and Great Falls.

Funding

General fund supports the Administration program, the Student Assistance program, the community colleges, one-half of the administrative expense in the Vocational-Technical Administration program, the Board of Regents, and the vocational-technical building bond payments. General fund increases 7.1 percent largely because of the cost increase in the Student Assistance program and the enrollment increase at the community colleges.

State special revenue in fiscal 1990, which was interest earnings from the education trust fund, was used in the student assistance program. Since the principal of the trust has been appropriated, there will be no further interest earnings.

Federal revenue includes Carl Perkins Vocational Education funds, student aid funds, administrative allowance payments

and other state grants under the Higher Education Act of 1965 as amended, and grants from the Education for Economic Security Act of 1984. Overall, these funds decrease 1.1 percent. The program narrative for the Vocational-Technical Administration program describes the impact of reduced federal funds available for administration.

Proprietary funds are the premium payments and interest earnings received from the group insurance program.

MHESAC Building

The Montana Higher Education Student Assistance Corporation (MHESAC) was created as the student loan secondary market for Montana lending institutions participating in the Montana Guaranteed Student Loan program in response to lender demands for a Montana secondary market when Sallie Mae (the national student loan secondary market) indicated it would not provide such services in Montana. MHESAC is a self-supporting non-profit corporation which was incorporated under state laws in July 1980. MHESAC has been designated as the single non-profit organization in Montana eligible to receive federal special allowance payments on student loans under Title IV of the Higher Education Act of 1965.

The MHESAC offices are presently housed in the same building as the Office of the Commissioner of Higher Education (CHE). MHESAC and CHE work closely together in the student loan area. Loan servicing functions have been relocated from an Indiana-based firm (contracted services) to Helena, resulting in significantly more employees and, therefore, larger space requirements.

During the interim, the MHESAC board approved the construction of a new building to house the corporation offices. MHESAC proposed the new facility be built to accommodate the Commissioner's Office and the Board of Public Education in order to maintain the working relationship between the agencies that currently exists. In August 1990, the Board of Regents

COMMISSIONER OF HIGHER EDUCATION

approved the move to the MHESAC building.

This building project did not go through the long-range building approval process because MHESAC is a private corporation. The building will be funded through MHESAC administrative fees allowed by the federal government and from lease payments from the Office of the Commissioner of Higher Education and the Montana Guaranteed Student Loan Program (MGSLP). Preliminary space allocation data and lease projections indicate CHE will use 9,546 square feet in the MHESAC building compared to its current 9,900 square foot space. On-going lease costs are projected to be no more than the fiscal 1990 rent payments (\$84,150) and may be less (\$80,0101 based on prelimi-

nary projections). The MGSLP will use 15,209 square feet. The annual lease payments are projected to rise from \$31,133 in fiscal 1990 to \$127,468. The Board of Public Education will continue to be provided space free of charge.

The MHESAC building is scheduled for occupancy in July 1992. Although the current lease expires June 1991, CHE and the MGSLP will continue to occupy their present space until the MHESAC building is completed. The one-year lease extension will cost CHE an additional \$14,850 and MGSLP an additional \$5,264 over the fiscal 1990 lease cost because the one-year lease extension reflects a rate of \$10 per square foot, an increase of \$1.50 per square foot.

Executive Budget Modification

1993 Biennium

<u>Budget Modification</u>	<u>FTE FY92</u>	<u>FTE FY93</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
1) Regents Employee Reporting System	1.0	0.5	\$230,182		\$230,182

The Executive Budget includes the budget modification listed above. The Board of Regents has indicated that it plans to present four additional budget modifica-

tion requests for CHE to the legislature. All of these proposed budget modifications are discussed in the program narratives.

COMMISSIONER OF HIGHER EDUCATION

Board of Regents Budget Modifications 1993 Biennium

<u>Budget Modifications</u>	<u>FTE FY92</u>	<u>FTE FY93</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
1) Director of Internal Audit	1.0	1.0	\$ 80,000		\$ 80,000
2) Federal Financial Aid Match			410,126		410,126
3) Increase Community College Funding*			1,729,580		1,729,580
4) Vocational-Technical Administration			<u>166,132</u>		<u>260,000</u>
Total	1.0	1.0	\$1,987,459		\$2,479,706

*Reflects state share only.

ADMINISTRATION PROGRAM

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	13.55	13.55	13.05	13.05	- .50
Personal Services	570,341	598,224	585,546	584,625	.14%
Operating Expenses	248,640	235,891	233,765	233,746	-3.51%
Equipment	8,686	1,629	6,000	6,000	16.34%
Total Program	\$827,667	\$835,744	\$825,311	\$824,371	-.83%
<u>Fund Sources</u>					
General Fund	827,667	835,744	825,311	824,371	-.83%
Total Funds	\$827,667	\$835,744	\$825,311	\$824,371	-.83%

Program Description

The Administration program provides the funding for the constitutionally mandated position of Commissioner of Higher Education as the chief administrative officer of the Montana University System and chief administrative officer for postsecondary vocational-technical education in Montana. The administration program also includes personnel to assist the commissioner in securing implementation of Board of Regents policy and establishing administrative regulations in the following major functional areas: general administration of the university system and vocational-technical centers; academic, financial, and legal administration; labor relations and personnel administration; and student assistance administration.

Audit costs are budgeted at \$9,462 annually, less \$1,500 annually for cost reimbursement from the federal Talent Search program. Travel is budgeted at \$25,000 annually (a \$4,019 reduction from actual fiscal 1990 expenditures), which is the average in recent years. Job candidate expenses are reduced approximately \$2,800. Equipment includes \$6,000 annually for upgrading computer equipment and software.

The Administration program is funded from the state general fund.

Issue

Tort Claims Insurance Premium

The Tort Claims Division of the Department of Administration has estimated the cost of general liability, property, and employee blanket insurance for CHE to increase from \$5,700 in fiscal 1990 to \$41,752 in fiscal 1992 and \$44,252 in fiscal 1993. While approximately the same increase was projected for the 1991 biennium, the 1989 legislature did not fund the increase because the Tort Claims Division did not provide sufficient justification for the large increase.

The current level budget does not include the requested premium increase for the 1993 biennium. The Tort Claims Division provided the following explanation for the increase. The division uses an allocation formula to estimate premium levels for all state

Current Level Budget

The program's current level for the 1993 biennium is slightly less than in the 1991 biennium due to a reduction in operating expenses. A 0.5 FTE exempt professional position which remained vacant all of fiscal 1990 and to date in fiscal 1991 is eliminated, for a cost savings of \$31,227 in fiscal 1992 and \$31,153 in fiscal 1993. This reduction is offset by approximately \$13,800 in raises granted to employees that exceeded the 2.5 percent pay plan allocation.

ADMINISTRATION PROGRAM

agencies. Fifteen percent of the formula is based upon the ratio of the agency's appropriation to the total state appropriation. In calculating CHE's ratio, the division included the appropriation distribution programs for the Montana University System and the vocational-technical centers--which includes all general fund, statewide and county millage, and federal fund appropriations--as part of the CHE appropriation. However, these same appropriations are then included again when calculating insurance premiums for the university units and vocational-technical centers.

Because the 1989 legislature did not fund the requested increase for the 1991 biennium, CHE paid only the budgeted amount. This resulted in a budgeted revenue shortfall for the Tort Claims Division.

The legislature may want to request the division reevaluate its premium allocation formula to determine if refinements or corrections are necessary.

Executive Budget Modification

Regents Employee Reporting System

The 1989 legislature enacted House Bill 26 requiring the development of a centralized personnel reporting system for the university system and vocational-technical centers. Implementation of the system is expected by July 1, 1991. The Executive Budget includes \$230,182 general fund for the 1993 biennium for system administration utilization charges, and equipment. The modification includes 1.0 FTE in fiscal 1992 and 0.50 FTE in fiscal 1993.

Board of Regents Budget Modification

Director of Internal Audit

The Board of Regents requests \$80,000 general fund in the 1993 biennium to establish a Director of Internal Audit position in the Commissioner of Higher Education office. The modification proposes that this position supervise the existing internal auditors on the two largest campuses to provide more independence and objectivity in the internal audit function. The campus' internal auditors currently report directly to the chief fiscal officer at their respective institutions.

STUDENT ASSISTANCE PROGRAM

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	.00	.00	.00	.00	.00
Local Assistance	65,100	68,400	71,500	75,000	9.74%
Grants	<u>4,657,604</u>	<u>4,973,518</u>	<u>5,132,002</u>	<u>5,207,863</u>	<u>7.36%</u>
Total Program	\$4,722,704	\$5,041,918	\$5,203,502	\$5,282,863	7.39%
<u>Fund Sources</u>					
General Fund	4,229,745	4,739,190	4,900,774	4,980,135	10.17%
State Revenue Fund	237,705	0	0	0	-100.00%
Federal Revenue Fund	<u>255,254</u>	<u>302,728</u>	<u>302,728</u>	<u>302,728</u>	<u>8.51%</u>
Total Funds	\$4,722,704	\$5,041,918	\$5,203,502	\$5,282,863	7.39%

Program Description

The Student Assistance program consists of: the Western Interstate Commission on Higher Education (WICHE) Student Exchange Program which provides education opportunities for Montana students in the fields of medicine, dentistry, veterinary medicine, optometry, public health, occupational therapy, and podiatry; the Washington, Alaska, Montana, Idaho (WAMI) program - a cooperative agreement for medical education; the cooperative dental education agreement with the University of Minnesota; the State Student Incentive Grant (SSIG) program which provides grant funds to needy students - 50 percent from federal funds and 50 percent matching state funds; the Paul Douglas Teacher Scholarship program, a federally funded scholarship program awarded to full-time students pursuing teaching careers; the Perkins Loan fund (formerly NDSL) which provides funds to students by the postsecondary institutions matching a basic amount appropriated by the legislature; the state matching dollars for the federal Supplemental Educational Opportunity Grant (SEOG); and the state's share of

Montana's Workstudy Program (Title 20, Chapter 25, Part 7, MCA).

Current Level Budget

The 1993 biennium current level budget increases 7.4 percent due to cost increases in the interstate student assistance programs, an increase in the total number of continuing students expected in the interstate student assistance programs in the 1993 biennium, and a federally-mandated state match increase in SEOG grants beginning in fiscal 1991 and continued in the current level budget.

Interstate Student Assistance Programs

Table 1 shows the anticipated increase in continuing students for the interstate student assistance programs. While there are fewer students in some individual programs, overall the number of continuing students is expected to increase by five in the 1993 biennium, compared to the 1991 biennium (an increase of 1.7 percent). There is no change in the number of new students expected in the 1993 biennium in the interstate student assistance program.

STUDENT ASSISTANCE PROGRAM

Table 1
Continuing Student Comparison
Interstate Student Assistance Programs
1991 - 1993 Biennium

<u>Program</u>	<u>90-91 Continuing Students</u>	<u>92-93 Continuing Students</u>	<u>Difference</u>
WICHE			
Medicine	36	39	3
Osteopathic Medicine	6	6	0
Dentistry	19	18	(1)
Veterinary Medicine	63	64	1
Optometry	25	26	1
Occupational Therapy	7	6	(1)
Public Health	5	6	1
Podiatry	<u>5</u>	<u>7</u>	<u>1</u>
Subtotal	166	172	6
MINNESOTA RURAL DENTISTRY	12	11	(1)
WAMI Medicine	<u>120</u>	<u>120</u>	<u>0</u>
Total	<u>298</u>	<u>303</u>	<u>5</u>
Increase in Total Continuing Students			1.7%

The current level budget is also impacted by cost increases in the interstate slots. These costs are established by WICHE, the University of Washington, and the University of Minnesota. Table 2 shows the cost changes per slot from fiscal 1991 to 1992 and from fiscal 1992 to 1993. WICHE programs increase an average of 2

percent from fiscal 1991 to 1992 and 2.6 percent from 1992 to 1993. The cost of Minnesota Rural Dentistry slots increase 4.2 percent from fiscal 1991 to 1992 and an additional 4 percent from fiscal 1992 to 1993. WAMI slots are projected to increase 4.2 percent from fiscal 1991 to 1992 and an additional 4.9 percent from fiscal 1992 to 1993.

STUDENT ASSISTANCE PROGRAM

Table 2
Cost Changes In Interstate Slots
Fiscal 1991 - 1993

<u>Program</u>	<u>FY 1991</u> <u>\$/Slot</u>	<u>FY 1992</u> <u>\$/Slot</u>	<u>FY 1991-92</u> <u>% Increase</u>	<u>FY 1993</u> <u>\$/Slot</u>	<u>FY 1992-93</u> <u>% Increase</u>
WICHE					
Medicine	\$22,800	\$22,800	0.0%	\$22,800	0.0%
Osteopathic Medicine	10,700	11,100	3.7%	11,500	3.6%
Dentistry	11,900	12,400	4.2%	12,900	4.0%
Veterinary Medicine	19,400	18,400	-5.2%	18,400	0.0%
Optometry	6,500	6,800	4.6%	7,100	4.4%
Occupational Therapy	4,300	4,500	4.7%	4,700	4.4%
Public Health	4,400	4,400	0.0%	4,400	0.0%
Podiatry	<u>7,300</u>	<u>7,600</u>	<u>4.1%</u>	<u>7,900</u>	<u>3.9%</u>
Subtotal			2.0%		2.6%
Minnesota Rural Dentistry	\$11,900	\$12,400	4.2%	\$12,900	4.0%
WAMI	35,871	37,367	4.2%	39,198	4.9%

The interstate student assistance program budget is derived by multiplying the number of new and continuing stu-

dents by the estimated cost per slot for the various supported programs. This is detailed in Table 3.

STUDENT ASSISTANCE PROGRAM

Table 3
Student Assistance Program Current Level Budget
1993 Biennium

Program	- Students -		\$/Slot	Cost Continuing	Cost New	Total Cost
	Cont.	New				
Fiscal 1992						
WICHE						
Administrative Dues						\$ 71,500
Student Assistance:						
Medicine	20	5	\$22,800	\$ 456,000	\$114,000	\$ 570,000
Osteopathic Medicine	3	2	11,100	33,300	22,200	55,500
Dentistry	9	2	12,400	111,600	24,800	136,400
Veterinary Medicine	32	10	18,400	588,800	184,000	772,800
Optometry	14	3	6,800	95,200	20,400	115,600
Occupational Therapy*	4	1	4,500	24,000	4,500	28,500
Public Health**	3	1	4,400	8,799	4,400	13,199
Podiatry	3	1	7,600	22,800	7,600	30,400
Subtotal	88	25		\$1,340,499	\$381,900	\$1,793,899
Minn. Rural Dentistry	6	2	12,400	74,400	24,800	99,200
WAMI Medicine	60	20	37,367	2,242,032	0	2,242,032
Total	154	47		\$3,656,931	\$406,700	\$4,135,131
Fiscal 1993						
WICHE						
Administrative Dues						\$75,000
Student Assistance:						
Medicine	19	5	\$22,800	\$ 433,200	\$114,000	\$547,200
Osteopathic Medicine	3	2	11,500	34,500	23,000	57,500
Dentistry	9	2	12,900	116,100	25,800	141,900
Veterinary Medicine	32	10	18,400	588,800	184,000	772,800
Optometry	12	3	7,100	85,200	21,300	106,500
Occupational Therapy*	2	1	4,700	12,534	4,700	17,234
Public Health**	3	1	4,400	10,266	4,400	14,666
Podiatry	4	1	7,900	31,600	7,900	39,500
Subtotal	84	25		\$1,312,200	\$385,100	\$1,772,300
Minn. Rural Dentistry	5	2	12,900	64,500	25,800	90,300
WAMI Medicine	60	20	39,198	2,351,892	0	2,351,892
Total	149	47		\$3,728,592	\$410,900	\$4,214,492

* There is an additional charge of \$1,500 in fiscal 1992 and \$1,567 in fiscal 1993 for clinical costs for continuing students.

** Continuing students cost \$2,933 each in fiscal 1992.

In fiscal 1993, two of the three continuing students cost \$2,933 and one continuing student costs the full rate of \$4,400.

STUDENT ASSISTANCE PROGRAM

Student Aid Programs

The cost of the student aid programs increases 5.3 percent in the 1993 biennium due to increased state matching funds required for the SEOG program--from 5 percent in fiscal 1990 to 10 percent in fiscal 1991. The current level budget provides sufficient funds to continue the 10 percent match, al-

though state matching requirements will increase to 15 percent beginning in fiscal 1992. (This is discussed in the Board of Regents budget modification in the next section.) Table 4 details the student aid program costs and funding for the 1991 and 1993 biennia. The state-funded work study program assists students at the university units and the vocational-technical centers.

Table 4
Student Aid Programs
1991 - 1993 Biennia

<u>Program</u>	<u>Actual Fiscal 1990</u>	<u>Approp Fiscal 1991</u>	<u>- - Current Level - - Fiscal FY 92</u>	<u>Fiscal FY 93</u>	<u>Change 1991-93 Biennium</u>
SSIG	\$415,195	\$ 440,000	\$ 440,000	\$ 440,000	2.90%
Perkins Loan program	55,000	55,000	55,000	55,000	0.00%
Paul Douglas Teacher	58,458	82,728	82,728	82,728	17.19%
SEOG	46,118	99,056	99,056	99,056	36.47%
State Work Study	<u>386,147</u>	<u>391,587</u>	<u>391,587</u>	<u>391,587</u>	<u>0.70%</u>
Total Costs	<u>\$960,918</u>	<u>\$1,068,371</u>	<u>\$1,068,371</u>	<u>\$1,068,371</u>	<u>5.30%</u>
<u>Funding</u>					
General Fund					
SSIG match	218,399	220,000	220,000	220,000	0.37%
Perkins Loan match	55,000	55,000	55,000	55,000	0.00%
SEOG State match	46,118	99,056	99,056	99,056	36.47%
State Work Study	<u>386,147</u>	<u>391,587</u>	<u>391,587</u>	<u>391,587</u>	<u>0.70%</u>
Sub-Total GF	\$705,664	\$765,643	\$765,643	\$765,643	4.08%
Federal Funds					
SSIG match	196,796	220,000	220,000	220,000	5.57%
Paul Douglas Sch.	<u>58,458</u>	<u>82,728</u>	<u>82,728</u>	<u>82,728</u>	<u>17.19%</u>
Sub-Total Fed.	\$255,254	\$ 302,728	\$ 302,728	\$ 302,728	8.51%
Total Funds	<u>\$960,918</u>	<u>\$1,068,371</u>	<u>\$1,068,371</u>	<u>\$1,068,371</u>	<u>5.30%</u>

Funding

The Student Assistance Program is funded from general fund and federal funds. Interest from the education trust formerly allocated to the Board of Regents is no longer available, since the trust principal has been expended.

Consistent with the intent of House Bill 100, \$237,705 of general fund was reverted when the education trust fund interest became available in fiscal 1990. The state general fund supports all of the WICHE, WAMI, and Minnesota Rural Dentistry programs, as well as the state work study. General fund

STUDENT ASSISTANCE PROGRAM

contributes the state match for the SSIG, Perkins Loan, and SEOG programs. Federal funds support the SSIG and the Paul Douglas Teacher Scholarship programs.

Board of Regents Budget Modification

Federal Financial Aid Match

The Board of Regents requests \$410,126 general fund in the 1993 biennium to

provide additional general fund match required for federal SEOG and Perkins loans and for increased state work study funds to accommodate the increase in minimum wage. The following biennial amounts are requested for each program:

\$127,180 for the Supplemental Educational Opportunity Grant;
\$ 72,540 for the Perkins Loan Fund; and
\$210,406 for increased state work study.

EDUCATION FOR ECONOMIC SECURITY GRANT

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	.00	.00	.00	.00	.00
Operating Expenses	1	1,576	1,500	1,500	90.23%
Grants	<u>161,561</u>	<u>159,985</u>	<u>160,061</u>	<u>160,061</u>	<u>-.44%</u>
Total Program	\$161,562	\$161,561	\$161,561	\$161,561	.00%
<u>Fund Sources</u>					
Federal Revenue Fund	<u>161,562</u>	<u>161,561</u>	<u>161,561</u>	<u>161,561</u>	<u>.00%</u>
Total Funds	<u>\$161,562</u>	<u>\$161,561</u>	<u>\$161,561</u>	<u>\$161,561</u>	<u>.00%</u>

Program Description

The federal Education for Economic Security Act provides funds to be used to upgrade the teaching skills of teachers in the mathematics and science disciplines. Grants are awarded to all institutions of higher education within the state on a competitive basis. Priorities for the grants are:

1. Inservice training for elementary, secondary, and vocational school teachers to improve their teaching skills in the fields of mathematics and science.
2. Retraining teachers who are currently teaching without proper certification in mathematics and science.
3. Retraining teachers who are currently teaching in other disciplines so they

will specialize in teaching mathematics and science.

4. Traineeship programs for new teachers who will specialize in mathematics and science.

Current Level Budget

The current level budget provides the same funding as fiscal 1990 expenditures. Fifteen hundred dollars is allocated annually to operating expenses for grant proposal readers, indirect cost reimbursements, or other miscellaneous expenditures. Approximately \$160,000 is expected to be available annually for grants to higher education agencies to provide the services described above. Funding for this program comes from Title II of the federal Education for Economic Security Act of 1984.

COMMUNITY COLLEGE ASSISTANCE

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	.00	.00	.00	.00	.00
Local Assistance	<u>3,203,911</u>	<u>3,182,291</u>	<u>3,382,091</u>	<u>3,382,091</u>	<u>5.92%</u>
Total Program	\$3,203,911	\$3,182,291	\$3,382,091	\$3,382,091	5.92%
<u>Fund Sources</u>					
General Fund	<u>3,203,911</u>	<u>3,182,291</u>	<u>3,382,091</u>	<u>3,382,091</u>	<u>5.92%</u>
Total Funds	<u>\$3,203,911</u>	<u>\$3,182,291</u>	<u>\$3,382,091</u>	<u>\$3,382,091</u>	<u>5.92%</u>

Program Description

The Community College program distributes funds appropriated by the legislature for the support of Montana's three community colleges: Miles Community College, Flathead Valley Community College, and Dawson Community College. Each community college district has an elected board of trustees accountable to and supervised by the Board of Regents.

support for the unrestricted budget. The remainder of the unrestricted budget is financed from a combination of local revenues including a mandatory levy, student tuition and fees, and other unrestricted revenues.

Formula Variables

Three variables impact the state general fund cost of the community college funding formula: budgeted student FTE; the cost factor; and the percentage of state support for the unrestricted budget. Table 5 summarizes these factors for the past several years. As shown on Table 5, budgeted student FTE increased 19.5 percent between fiscal years 1982 and 1990, while actual student FTE increased 13 percent. In six of the last nine years, actual student FTE exceeded budgeted student FTE. The cost factor used to set the community college budgets increased 23.8 percent from 1982 to 1990. During the same time period, the consumer price index (CPI) increased 35 percent and the higher education price index (HEPI) increased 49 percent. Finally, the percentage of state support of the unrestricted budget has declined from 53 percent to 47 percent.

Community College Funding Formula

Since 1981, the legislature has developed budgets for the community colleges using an enrollment-based formula. The total unrestricted budget of the community colleges is determined by multiplying the number of FTE students by a cost factor per student. The cost factor covers all educational costs, such as instruction, academic support, student services, institutional support, and operation and maintenance of the physical plant. Legislative audit costs are then added to the formula-generated budgets. The state general fund appropriation is calculated by multiplying the total unrestricted budget by a fixed percentage of state

COMMUNITY COLLEGE ASSISTANCE

Table 5
Community College Funding
Formula Factors
An Historical Perspective
Fiscal Years 1982 - 1990

<u>FY</u>	<u>-Student FTE-</u> <u>Budgeted</u>	<u>Actual</u>	<u>Cost</u> <u>Factor</u>	<u>Percent</u> <u>State</u> <u>Support</u>
1982	1,450	1,646	\$3,155	53.0%
1983	1,411	1,806	\$3,435	52.7%
1984	1,752	1,634	\$3,325	53.0%
1985	1,807	1,757	\$3,388	51.9%
1986	1,714	1,740	\$3,574	49.7%
1987	1,714	1,716	\$3,611	48.9%
1988	1,740	1,730	\$3,622	48.0%
1989	1,740	1,806	\$3,642	48.0%
1990	1,733	1,860	\$3,907	47.0%

Percent Increase

1982-90	19.5%	13.0%	23.8%
CPI Increase 1982-90			35.0%
HEPI Increase 1982-90			49.0%

Current Level Budget

The current level budget uses the funding formula to develop the 1993 biennium appropriation for the community colleges. The student FTE enrollment used represents the average of the last two years' actual data, which is consistent with past practice. The average student FTE enrollment for the 1993 biennium is 1,834 or 101 higher than the student FTE budgeted for the 1991 biennium. Table 6 shows how the 1993 biennium average enrollment was derived and provides a comparison with the 1991 biennium budgeted enrollment.

Table 6
1991 & 1993 Biennium Enrollment
Montana Community Colleges

<u>Campus</u>	<u>FY 89</u>	<u>FY 90</u>	<u>1993</u> <u>Biennium</u> <u>Enroll.</u>	<u>1991</u> <u>Biennium</u> <u>Enroll.</u>	<u>Increase</u> <u>(Decrease)</u> <u>From 1991</u> <u>Biennium</u>	<u>% Inc.</u> <u>(Dec.)</u> <u>From 1991</u> <u>Biennium</u>
Dawson	363	400	382	389	-7	-1.8%
Flathead	973	1,001	987	931	56	6.0%
Miles City	<u>470</u>	<u>459</u>	<u>465</u>	<u>413</u>	<u>52</u>	<u>12.6%</u>
Total	1,806	1,860	1,834	1,733	101	5.8%

Table 7 shows the formula calculation for the community colleges by campus for the 1993 biennium. The current level budget does not increase the cost factor used in the 1991 biennium because: 1) personal services represents 70 to 80 percent of the total budget and the legislature did not provide pay plan

funds for the community colleges in the 1991 biennium; 2) community colleges maintain accounting records at the local level so there is insufficient detail available at the state level to determine the expenditure amounts in specific inflation categories, such as electricity, natural gas, or gasoline;

COMMUNITY COLLEGE ASSISTANCE

and 3) the current level budget does not include a general inflation factor for non-specific expenditure categories.

percent in the current level budget, which is the level established by the 1989 legislature.

The percent of state support for the unrestricted budget is maintained at 47

Table 7
Community College Funding Formula
1993 Biennium

<u>Campus</u>	<u>Avg. Enroll.</u>	<u>Cost Factor</u>	<u>Unrestricted Budget</u>	<u>Audits</u>	<u>% State Support</u>	<u>General Fund*</u>
Dawson	382	\$3,907	\$1,492,474	\$ 9,000	47%	\$ 705,693
Flathead	987	3,907	3,856,209	12,500	47%	1,818,293
Miles	<u>465</u>	3,907	<u>1,816,755</u>	<u>9,000</u>	47%	<u>858,105</u>
Total	1,834		\$7,165,438	\$30,500		\$3,382,091

*For each fiscal year.

Table 8 shows the biennial budget comparison for the community colleges by campus. Because the cost factor and percent of state support were held con-

stant from the 1991 biennium, changes in budgeted student FTE is the only factor affecting 1993 biennium budgets.

Table 8
Community College Budget Biennial Comparison
1991-1993 Biennium

<u>Campus</u>	<u>FY 1990 Actual</u>	<u>FY 1991 Appropriation</u>	<u>FY 1992</u>	<u>FY 1993</u>	<u>% Change</u>
Dawson	\$ 719,017	\$ 714,317	\$ 705,693	\$ 705,693	-1.53%
Flathead	1,718,046	1,709,586	1,818,293	1,818,293	6.10%
Miles	<u>766,848</u>	<u>758,388</u>	<u>858,105</u>	<u>858,105</u>	<u>12.52%</u>
Total	\$3,203,911	\$3,182,291	\$3,382,091	\$3,382,091	5.92%

Board of Regents Budget Modification

Increase Community College Funding

The Board of Regents requests \$1,729,580 general fund in the 1993 biennium for the community colleges to: 1) allow 4 percent annual inflation to the cost factor; and 2) to increase the state support for the unrestricted budget from 47 percent in the 1991 biennium to 51

percent in fiscal 1992 and 55 percent in fiscal 1993. The Board of Regents proposes increasing state support for the unrestricted budget to 65 percent over a five-year period, or approximately 4 percent annually. This budget modification would increase state support for the community college budgets 27 percent over the 1991 biennium.

MONTANA UNIVERSITY SYSTEM GROUP INSURANCE PROGRAM

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	2.50	2.50	2.50	2.50	.00
Personal Services	67,514	74,762	79,599	79,355	11.72%
Operating Expenses	470,841	320,184	993,781	1,003,804	152.53%
Equipment	834	0	0	0	-100.00%
Benefits and Claims	<u>9,812,979</u>	<u>11,360,000</u>	<u>12,689,935</u>	<u>14,964,223</u>	<u>30.61%</u>
Total Program	\$10,352,168	\$11,754,946	\$13,763,315	\$16,047,382	34.85%
<u>Fund Sources</u>					
Proprietary Fund	<u>10,352,168</u>	<u>11,754,946</u>	<u>13,763,315</u>	<u>16,047,382</u>	<u>34.85%</u>
Total Funds	\$10,352,168	\$11,754,946	\$13,763,315	\$16,047,382	34.85%

Program Description

The Board of Regents provides faculty and staff with group benefits through the Montana University System Group Insurance program within the Office of the Commissioner of Higher Education. The commissioner is authorized by Board of Regents policy 804.1 to administer the program as a self-insured, group insurance plan. The Montana University System Group Insurance program covers faculty and staff employed by the six units of the university system, the five vocational-technical centers, and the commissioner's office. The program offers medical, dental, vision, group life insurance, and long-term disability benefits to employees, retirees, and eligible dependents.

Current Level Budget

Total costs increase 34.9 percent in the 1993 biennium in the current level budget because of increases in personal services, benefits, and claims. Personal services increase 11.7 percent due to vacancy savings experienced in fiscal 1990 and the fiscal 1991 pay plan continued into the 1993 biennium.

While the table shows a 153 percent increase in operating costs, this increase is primarily due to a reclassification of claims administration expense as an operating cost rather than benefits and claims. Prior

to fiscal 1991, the agency paid a premium to United of Omaha for minimum premium group insurance coverage for medical, dental, vision, life insurance, supplemental life insurance, dependent life insurance, accidental death and dismemberment, supplemental death and dismemberment, and long-term disability. This arrangement provided insurance coverage to the group insurance program beyond a specified benefit level. Beginning in fiscal 1991, the group insurance program entered an "administrative services only" contract with United of Omaha for its medical, dental, and vision benefits, with the program assuming the full risk of these health insurance claims. All other coverages are continued as before. This change reduces premium costs approximately \$275,000 annually, while increasing the overall coverage risk to the program.

The current level budget includes 19 percent annual growth to the benefits and claims from the fiscal 1990 actual level after removing approximately \$1.36 million for claims administration costs and commercial insurance premiums.

The group insurance program is funded from employer health insurance premiums (state contributions), additional premiums borne by the employee, and interest earnings on the self-insurance fund. Approximately 73 percent of total premium revenue is from the employer and 27 percent is from the employee.

MONTANA UNIVERSITY SYSTEM GROUP INSURANCE PROGRAM

Issue

Financial Status of Group Insurance Program

The State of Montana provides health insurance benefits for all active state employees working 0.50 FTE or more and for retired state employees. Two health insurance programs exist: one for university employees; and one for all other state employees. The state's contribution per employee for each program is the same: \$1,800 per employee per year.

The university health insurance program is partly self-insured, partly underwritten by Mutual of Omaha. The claims processing is handled by Mutual of Omaha. There are approximately 4,455 active employees and 1,095 retiree and other participants in the university health insurance program in fiscal 1991. The CHE expects the number of retirees to grow by 90 each year of the 1993 biennium and no growth in the number of active employees.

Declining Revenue

Although the total number of participants is expected to increase each year of the 1993 biennium, total current level revenue is projected to decrease because interest earnings on the declining fund balance will decrease faster than premium revenue will increase.

Increasing Costs

The costs incurred by the group insurance program include benefits paid for self-funded health costs, premiums

for insurance coverage that is not self-insured, claims administration and utilization management, and internal office operations. Total costs exceeded total revenue in fiscal years 1989 and 1990. Claims increased 17.4 percent between fiscal 1989 and 1990, and CHE is projecting 19 percent claims growth annually for fiscal years 1991, 1992 and 1993. All other costs increased 15.1 percent between fiscal 1989 and 1990 due primarily to higher costs for utilization management and consulting services to evaluate the plan and new administrative proposals. Claims administration and utilization management costs are expected to decrease in the 1993 biennium due to contracted administration changes adopted in fiscal 1991.

Reserve Requirements

Reserves are established to provide for unanticipated claims and for those claims that have been incurred but not yet submitted for payment. In past years, the reserves have increased as the total claims have increased. For the 1993 biennium, CHE proposes the reserve requirement for the university health insurance program remain at the fiscal 1991 level. Total reserves as a percent of claims will decline from an estimated 43.6 percent in fiscal 1991 to 30.8 percent in fiscal 1993.

Table 9 shows the revenue, expenditures, operating excess or deficit, reserve requirement, fund balance, and reserve excess or deficit for the university group health insurance program for fiscal years 1989 through 1993.

MONTANA UNIVERSITY SYSTEM GROUP INSURANCE PROGRAM

Table 9
Estimated Revenue, Expenditures, and Fund Balance
Montana University System Group Health Insurance Program
Fiscal 1989 to 1993

Description	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993
Revenue	\$8,207,478	\$ 9,984,190	\$11,300,000	\$11,272,040	\$11,244,080
Expenditures	<u>8,851,508</u>	<u>10,352,167</u>	<u>11,748,249</u>	<u>13,763,315</u>	<u>16,047,382</u>
Op. Excess (Deficit)	(644,030)	(367,977)	(448,249)	(2,491,275)	(4,803,302)
Beg. Fund Balance	\$4,557,031	\$3,913,001	\$ 3,545,024	\$ 3,096,775	\$ 605,500
Op. Excess (Deficit)	<u>(644,030)</u>	<u>(367,977)</u>	<u>(448,249)</u>	<u>(2,491,275)</u>	<u>(4,803,302)</u>
End Fund Balance	\$3,913,001	\$3,545,024	\$3,096,775	\$ 605,500	(\$4,197,802)
Reserve Require.	<u>2,819,240</u>	<u>3,233,915</u>	<u>4,388,708</u>	<u>4,388,708</u>	<u>4,388,708</u>
Fund Balance					
Excess (Deficit)	<u>\$1,093,761</u>	<u>\$ 311,109</u>	<u>(\$1,291,933)</u>	<u>(\$ 3,783,208)</u>	<u>(\$ 8,586,510)</u>

Options

Options for the deficit faced by the university health insurance program include reducing costs, increasing revenue, or both.

Cost Reductions-Cost reductions can take the form of benefit reductions or reducing the number and types of claims. The university system contracts with Blue Cross/Blue Shield to provide utilization management services, a program that focuses on containing the cost of inpatient hospitalization charges and assisting members to make appropriate health care choices. The legislature may want to ask the university system to discuss the effectiveness of the utilization management program and describe any benefit

reductions that have been instituted to control costs.

Revenue Increases-Additional revenue can be generated by increasing the employer's or employee's contribution or both. The Executive Budget proposes to increase employer contributions for each employee by \$15 per month in fiscal 1992 and \$30 per month in fiscal 1993. This would generate approximately \$801,900 in fiscal 1992 and \$1,603,800 in fiscal 1993 of additional revenue to the group insurance program.

As Table 10 shows, employer contributions per employee need to increase \$71 per month in fiscal 1992 and \$114 per month in fiscal 1993 in order to operate the program at projected levels and fully fund its reserve requirement.

MONTANA UNIVERSITY SYSTEM GROUP INSURANCE PROGRAM

Table 10
Increase in Employer Monthly Premium Contribution
Necessary to Fund Total Deficit
University Group Health Insurance Program
1993 Biennium

<u>Description</u>	<u>FY 1992</u>	<u>FY 1993</u>
Annual Operating Deficit	\$2,491,275	\$4,803,302
Estimated Reserve Deficit	<u>1,291,933</u>	<u>1,291,933</u>
Total Deficit	<u>\$3,783,208</u>	<u>\$6,095,235</u>
Number of Active Employees	4,455	4,455
Current Monthly Premium	\$150	\$150
Monthly Premium Increase	<u>71</u>	<u>114</u>
Total Employer Premium	<u>\$221</u>	<u>\$264</u>

If the total anticipated deficit was shared proportionately by employer and employee premium increases, the employer monthly premiums would increase from \$150 to \$202 in fiscal 1992 and \$233 in

fiscal 1993. Total employee premium revenue would increase 36 percent in fiscal 1992 and 58 percent in fiscal 1993 from fiscal 1991 levels.

TALENT SEARCH

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	6.15	6.15	6.15	6.15	.00
Personal Services	144,813	149,761	153,134	152,684	3.82%
Operating Expenses	66,847	44,058	41,820	41,738	-24.66%
Equipment	45	0	0	0	-100.00%
Total Program	\$211,705	\$193,819	\$194,954	\$194,422	-3.98%
<u>Fund Sources</u>					
Federal Revenue Fund	211,705	193,819	194,954	194,422	-3.98%
Total Funds	\$211,705	\$193,819	\$194,954	\$194,422	-3.98%

Program Description

Talent Search is a federally funded program to provide career and financial aid counseling to students who are either low-income, physically handicapped, or culturally deprived. The program's objectives are to decrease the high school dropout rate in targeted high schools and to increase enrollment of disadvantaged students in Montana's post-secondary institutions.

vate grant expenditures in fiscal 1990 that do not continue in the 1993 biennium. Personal services increase 3.8 percent because of vacancy savings experienced in fiscal 1990 and the continuation of the fiscal 1991 pay plan increase in the 1993 biennium. Operating expenses decrease 24.7 percent because costs associated with the one-time grant are removed from the base and travel costs are reduced to historic levels. No equipment was requested in the 1993 biennium.

Current Level Budget

Total expenditures decrease 4 percent in the 1993 biennium due to one-time pri-

Base funding for the Talent Search program is from the federal Higher Education Act of 1965, as amended.

VOCATIONAL-TECHNICAL ADMINISTRATION

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	5.00	5.00	5.00	5.00	.00
Personal Services	179,273	198,668	190,848	190,250	.84%
Operating Expenses	37,404	33,894	79,288	47,634	78.02%
Equipment	445	0	0	0	-100.00%
Grants	955,139	2,299,462	1,541,417	1,506,417	-6.35%
Transfers	<u>2,597,502</u>	<u>2,288,088</u>	<u>2,651,931</u>	<u>2,589,562</u>	<u>7.28%</u>
Total Program	\$3,769,763	\$4,820,112	\$4,463,484	\$4,333,863	2.42%
Fund Sources					
General Fund	79,858	80,637	135,068	118,942	58.27%
Federal Revenue Fund	<u>3,689,905</u>	<u>4,739,475</u>	<u>4,328,416</u>	<u>4,214,921</u>	<u>1.35%</u>
Total Funds	\$3,769,763	\$4,820,112	\$4,463,484	\$4,333,863	2.42%

Program Description

The Fiftieth Legislature transferred governance of the vocational-technical centers to the Board of Regents from the Superintendent of Public Instruction. This program contains the staff and operating costs to provide administrative service to the board to carry out vocational-technical center governance activities.

The Board of Regents is also designated as the sole state agency for Carl D. Perkins Vocational Education Act funds, which support vocational education at the secondary and postsecondary level. Administration of these funds include provision of technical assistance to the field, grants management, performance reviews, filing of an annual performance report, and the development and submission of a state plan for the use of the funds. The Board of Regents is required by state statute to contract with the Office of Public Instruction for provision of technical assistance and grants management for secondary level grant subrecipients.

Current Level Budget

The current level budget provides a 2.4 percent increase in the 1993 biennium due to a new requirement for a state match on Carl Perkins gender equity

funds and a major decrease in Carl Perkins state administration funds, resulting in an overall increase. The significant programmatic impact of the funding changes is discussed below. The reauthorization of the federal Carl Perkins Vocational Education Act decreases the amount of federal funds available for administration from approximately \$310,000 to \$250,000 annually. State statute requires CHE to contract with the Office of Public Instruction (OPI) to serve secondary schools. During the 1991 biennium, approximately \$180,000 was transferred to OPI each year for administration costs. In addition, the gender equity portion of this administration amount (\$60,000 per year) must now be matched dollar for dollar with state funds.

The current level budget reflects the overall decrease in Carl Perkins administration funds. The expected reduction is split proportionately between CHE and OPI based upon fiscal 1990 expenditures of these administration funds. Because these federal funds require a hard match of state funds, general fund is reduced a like amount. The total reduction for CHE's budget (\$11,232 in fiscal 1992 and \$43,484 in fiscal 1993) was taken from operating expenses. The current level budget was also adjusted to reflect the state match now required for the gender equity portion of the Carl Perkins funds. This resulted in an additional

VOCATIONAL-TECHNICAL ADMINISTRATION

\$60,000 per year of general fund added to the operating expense budget. Finally, \$7,157 federal authority was added each year for gender equity to increase authorized federal expenditures to the \$60,000 minimum.

Table 11 shows the current level adjustments to fiscal 1990 expenditures in CHE and OPI resulting from decreased federal Carl Perkins funds available for state administration costs.

Table 11
Carl Perkins Vocational Education Funds
Current Level Changes Due to Reauthorization
Commissioner of Higher Education and Office of Public Instruction
1993 Biennium

Description	Fiscal 1990 Actual	Adj. for Lower Funding		Increase in Gender Equity Match Req'd		Current Level Funding Vo-Ed Administration	
		FY1992	FY1993	FY1992	FY1993	FY1992	FY1993
CHE							
General Fund	\$79,858	\$ (5,616)	\$ (21,742)	\$60,000	\$60,000	\$134,242	\$118,116
Federal Funds	<u>133,527</u>	<u>(5,616)</u>	<u>(21,742)</u>	<u>7,157</u>	<u>7,157</u>	<u>135,068</u>	<u>118,942</u>
Total CHE	<u>\$213,385</u>	<u>\$(11,232)</u>	<u>\$(43,484)</u>	<u>\$67,157</u>	<u>\$67,157</u>	<u>\$269,310</u>	<u>\$237,058</u>
OPI							
General Fund	\$172,733	\$(12,486)	\$ (48,343)	\$0	\$0	\$160,247	\$124,390
Federal Funds	<u>179,401</u>	<u>(12,486)</u>	<u>(48,343)</u>			<u>166,915</u>	<u>131,058</u>
Total OPI	<u>\$352,134</u>	<u>\$(24,972)</u>	<u>\$(96,686)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$327,162</u>	<u>\$255,448</u>
Total Gen. Fund	\$252,591	\$(18,102)	\$ (70,085)	\$60,000	\$60,000	\$294,489	\$242,506
Total Fed. Funds	<u>312,928</u>	<u>(18,102)</u>	<u>(70,085)</u>	<u>7,157</u>	<u>7,157</u>	<u>301,983</u>	<u>250,000</u>
Total Funds	<u>\$565,519</u>	<u>\$(36,204)</u>	<u>\$(140,170)</u>	<u>\$67,157</u>	<u>\$67,157</u>	<u>\$596,472</u>	<u>\$492,506</u>

The grants expenditure category includes estimated grants to postsecondary institutions. The transfers category includes the administrative allowance transferred to OPI, as well as secondary grants transferred to OPI for redistribution.

Board of Regents Budget Modification

Vocational-Technical Administration

Vocational-technical administration functions in the Office of the Commissioner of Higher Education include administration of the five postsecondary vocational-technical centers and administration of Carl Perkins funds which includes gender equity. All vocational-technical administration costs, except gender equity, are currently funded 50 percent with federal funds and 50 percent with state general

fund. Beginning in fiscal 1992, gender equity funds must be equally matched with state funds spent for vocational-technical education.

The Board of Regents requests that the administration of the vocational-technical centers be funded 100 percent from the state general fund. The board maintains the governance function of the vocational-technical centers is separate from the administration of federal vocational education funds and should be funded accordingly. The Board of Regents requests a \$260,000 general fund increase in the 1993 biennium for 2.0 FTE that are currently used for vocational-technical center governance functions and for additional operating expenses. The board staff has provided documentation justifying \$166,132 of the \$260,000 request. Table 12 below shows the current level vocational-technical

VOCATIONAL-TECHNICAL ADMINISTRATION

administration costs in CHE's budget, the justified operating level, the re-

sulting increase and funding shift, and the biennial impact to the general fund and federal funds.

Table 12
Vocational-Technical Administration Budget Modification
1993 Biennium

<u>Description</u>	<u>General Fund</u>	<u>Federal Funds</u>	<u>Total</u>
- - - F I S C A L 1 9 9 2 - - -			
<u>Current Level*</u>			
Personal Services	\$80,078	\$80,078	\$160,156
Operating Expenses	<u>5,452</u>	<u>5,452</u>	<u>10,904</u>
Total Costs	<u>\$85,530</u>	<u>\$85,530</u>	<u>\$171,060</u>
<u>Justified Requested Operating Level</u>			
Personal Services	\$126,530	\$33,625	\$160,155
Operating Expenses	<u>42,139</u>	<u>4,828</u>	<u>46,967</u>
Total Costs	<u>\$168,669</u>	<u>\$38,453</u>	<u>\$207,122</u>
<u>Difference</u>			
Personal Services	\$46,452	\$(46,453)	\$(1)
Operating Expenses	<u>36,687</u>	<u>(624)</u>	<u>36,063</u>
Total Costs	<u>\$83,139</u>	<u>\$(47,077)</u>	<u>\$ 36,062</u>
- - - F I S C A L 1 9 9 3 - - -			
<u>Current Level*</u>			
Personal Services	\$79,831	\$79,831	\$159,662
Operating Expenses	<u>5,452</u>	<u>5,452</u>	<u>10,904</u>
Total Costs	<u>\$85,283</u>	<u>\$85,283</u>	<u>\$170,566</u>
<u>Justified Operating Level</u>			
Personal Services	\$126,137	\$33,525	\$159,662
Operating Expenses	<u>42,139</u>	<u>4,828</u>	<u>46,967</u>
Total Costs	<u>\$168,276</u>	<u>\$38,353</u>	<u>\$206,629</u>
<u>Difference</u>			
Personal Services	\$46,306	\$(46,306)	\$0
Operating Expenses	<u>36,687</u>	<u>(624)</u>	<u>36,063</u>
Total Costs	<u>\$82,993</u>	<u>\$(46,930)</u>	<u>\$36,063</u>
- - - 1 9 9 3 B I E N N I U M - - -			
<u>Biennial Impact</u>			
Personal Services	\$92,758	\$(92,759)	\$(1)
Operating Expenses	<u>73,374</u>	<u>(1,248)</u>	<u>72,126</u>
Total Costs	<u>\$166,132</u>	<u>\$(94,007)</u>	<u>\$72,125</u>

*Excludes Gender Equity

GUARANTEED STUDENT LOAN PROGRAM

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	32.95	32.95	30.45	30.45	-2.50
Personal Services	503,924	761,516	707,176	705,913	11.67%
Operating Expenses	734,862	647,808	508,675	509,289	-26.38%
Equipment	<u>74,557</u>	<u>25,087</u>	<u>25,000</u>	<u>25,000</u>	<u>-49.82%</u>
Total Program	\$1,313,343	\$1,434,411	\$1,240,851	\$1,240,202	-9.71%
<u>Fund Sources</u>					
Federal Revenue Fund	<u>1,313,343</u>	<u>1,434,411</u>	<u>1,240,851</u>	<u>1,240,202</u>	<u>-9.71%</u>
Total Funds	<u>\$1,313,343</u>	<u>\$1,434,411</u>	<u>\$1,240,851</u>	<u>\$1,240,202</u>	<u>-9.71%</u>

Program Description

The 1979 legislature authorized the Guaranteed Student Loan Program (GSLP), placing it under the direction and supervision of the Board of Regents. The program is funded by federal government payments for an administrative cost allowance, the guarantee fee charged to borrowers, and interest earned on investments. GSLP initially contracted with United Student Aid Funds in Indianapolis to process loan applications, maintain records on student borrowers, warehouse records, and perform all other necessary functions. In the fall of 1987, the Board of Regents approved a plan to have GSLP perform these duties in Montana. The first phase of this plan began in April 1988 when the Montana guarantee agency began processing the students' applications and promissory notes in Helena. The second phase began in April 1989 when the agency began processing status changes and lender fee billings. All functions have been performed in Helena since March 1990.

Current Level Budget

The 1993 biennium current level budget decreases 9.7 percent from the 1991 biennium. Two and one-half FTE posi-

tions that were vacant a major portion of fiscal years 1990 and 1991 were eliminated. Two of the deleted positions (1.5 FTE) were exempt positions (an administrative and a professional) and the remaining 1.0 FTE was a paralegal assistant. Despite the FTE reduction, personal services increase 11.7 percent in the 1993 biennium because the program experienced significant vacancy savings in fiscal 1990.

Operating expenses decrease 26.4 percent as the agency assumes loan servicing responsibility in Helena rather than contracting with United Student Aid Funds (USA Funds) in Indianapolis for this service. The Guaranteed Student Loan program will continue to contract with USA Funds for the use of its software and reporting capabilities. The budget includes \$195,000 annually for this purpose, which is approximately \$219,000 less than expended in fiscal 1990. Equipment is included at \$25,000, reflecting the average of previous years.

This program is funded with program fees and federal administrative allowance payments from the U.S. Department of Education under the Higher Education Act of 1965 as amended.

BOARD OF REGENTS-ADMINISTRATION

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	.00	.00	.00	.00	.00
Personal Services	12,200	13,400	13,400	13,400	4.69%
Operating Expenses	<u>21,197</u>	<u>19,468</u>	<u>19,794</u>	<u>19,804</u>	<u>-2.62%</u>
Total Program	\$33,397	\$32,868	\$33,194	\$33,204	.20%
<u>Fund Sources</u>					
General Fund	<u>33,397</u>	<u>32,868</u>	<u>33,194</u>	<u>33,204</u>	<u>.20%</u>
Total Funds	\$33,397	\$32,868	\$33,194	\$33,204	.20%

Program Description

Article X, Section 9 of the Montana Constitution places the government and control of the Montana University System in the Board of Regents of higher education which have full power, responsibility, and authority to supervise, coordinate, manage, and control that system. In addition, the board supervises and coordinates other public educational institutions assigned by law.

The board consists of seven members appointed by the Governor and confirmed by the Senate. One of the members of the board is a student. The board meets not less than quarterly and has three permanent standing committees: the administrative committee, the budget committee, and the academic affairs committee. The Commissioner of Higher Education is an ex-officio, non-voting member of all committees.

Current Level Budget

The 1993 biennium current level budget provides a 0.2 percent increase from the 1991 biennium. Personal services increase 4.7 percent as the agency reallocated \$1,200 of budgeted per diem expenditures to operating expenditures in fiscal 1990. The current level budget includes per diem at the fiscal 1990 and 1991 appropriated level. Operating costs decrease 2.6 percent due to the per diem reallocation and to a \$578 program transfer from the Administration program in fiscal 1990 which is not continued into the 1993 biennium. Inflationary adjustments in the travel budget add \$435 annually.

BOND PAYMENTS

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	.00	.00	.00	.00	.00
Debt Service	<u>730,905</u>	<u>717,068</u>	<u>706,255</u>	<u>698,153</u>	<u>-3.01%</u>
Total Program	\$730,905	\$717,068	\$706,255	\$698,153	-3.01%
<u>Fund Sources</u>					
General Fund	<u>730,905</u>	<u>717,068</u>	<u>706,255</u>	<u>698,153</u>	<u>-3.01%</u>
Total Funds	\$730,905	\$717,068	\$706,255	\$698,153	-3.01%

Program Description

The Board of Regents is authorized in Section 20-16-108, MCA, to lease or purchase any building, land, and/or property at a vocational-technical center from the respective school districts. The board has acquired the facilities in Helena and Missoula and entered into contracts with the school districts in Billings, Butte, and Great Falls to retire the districts' bonded indebtedness. This program contains the bond payments to those school districts for the next biennium.

Vocational-technical building bond payments are funded by the state general fund. Table 13 details the bond payments by year for each center.

Table 13
Estimated Bond Payments
Vocational Technical Centers

Center	<u>FY1992</u>	<u>FY1993</u>	<u>1993 Biennium Total</u>
Billings	\$127,870	\$122,408	\$ 250,278
Butte	468,035	470,495	938,530
Gt. Falls	<u>110,350</u>	<u>105,250</u>	<u>215,600</u>
Total	\$706,255	\$698,153	\$1,404,408

Current Level Budget

Total bond payments are scheduled to decrease 3 percent in the 1993 biennium.

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

VOCATIONAL-TECHNICAL CENTERS

	Executive Current Level		LFA Current Level		Executive
	Fiscal	Fiscal	Fiscal	Fiscal	Over (Under)
Budget Item	1992	1993	1992	1993	LFA
Center					
Billings	\$ 1,819,095	\$ 1,818,982	\$ 1,782,680	\$ 1,780,249	\$ 75,148
Butte	1,721,521	1,722,766	1,663,302	1,660,157	120,828
Great Falls	2,199,043	2,197,770	1,998,797	1,994,525	403,491
Helena	2,641,008	2,641,487	2,457,884	2,453,073	371,538
Missoula	<u>2,835,721</u>	<u>2,834,398</u>	<u>2,661,682</u>	<u>2,658,065</u>	<u>350,372</u>
Center Totals	\$11,216,388	\$11,215,403	\$10,564,345	\$10,546,069	\$1,321,377
Program					
Instruction	\$ 6,398,265	\$ 6,398,798	\$ 6,253,593	\$ 6,234,103	\$ 309,367
Support	3,277,878	3,277,878	2,949,909	2,942,936	662,911
Physical Plant	<u>1,540,245</u>	<u>1,538,727</u>	<u>1,360,843</u>	<u>1,369,030</u>	<u>349,099</u>
Program Totals	\$11,216,388	\$11,215,403	\$10,564,345	\$10,546,069	\$1,321,377
Revenue					
General Fund	\$ 7,693,789	\$ 7,673,371	\$ 7,018,306	\$ 6,983,554	\$1,365,300
Millage	798,675	818,108	965,005	981,481	(329,703)
Tuition & Fees	1,914,450	1,914,450	1,770,229	1,770,229	288,442
Federal	807,474	807,474	805,544	805,544	3,860
Other	<u>2,000</u>	<u>2,000</u>	<u>5,261</u>	<u>5,261</u>	<u>(6,522)</u>
Total Revenue	\$11,216,388	\$11,215,403	\$10,564,345	\$10,546,069	\$1,321,377

Executive Budget Comparison

The Executive Budget current level exceeds the LFA current level budget by \$1,321,377 in the 1993 biennium. This difference occurs for three major reasons:

1) The Executive Budget uses an enrollment-based formula to calculate the Instruction and Support program budgets, while the LFA current level budget uses an incremental budgeting approach for these programs. Both budgets use incremental budgeting for the Plant program. The Executive Budget bases its Instruction and Support program cost factors on actual fiscal 1990 expenditures divided by actual student full-time equivalent (FTE) enrollment. This cost factor is then applied against the two-year average of fiscal 1989 and 1990 actual student enrollment to derive the total program cost. Since the average student FTE is

greater than the actual fiscal 1990 FTE, the Executive Budget calculations for the Instruction and Support program exceed the fiscal 1990 expenditures and the LFA current level budget by approximately \$705,000 in the 1993 biennium.

2) As noted above, the Executive Budget calculates the Instruction and Support cost per student FTE from actual fiscal 1990 total program expenditures. In essence, the Executive Budget reflects total fiscal 1990 program expenditures, except for the student FTE impact noted above. The LFA current level budget includes the fiscal 1991 legislative appropriation for personal services and actual fiscal 1990 operating expenses within the legislative appropriation. Since many of the vocational-technical centers transferred operating expenses to personal services, this results in a lower overall budget. The Executive Budget exceeds the LFA current level

VOCATIONAL-TECHNICAL CENTERS

budget by approximately \$296,000 due to this base difference.

3) The Executive Budget current level for the Plant program exceeds the LFA current level by \$349,099 because the Executive Budget includes personal services at a level higher than the fiscal 1991 appropriation (approximately \$85,000 for the 1993 biennium). The LFA current level uses the fiscal 1991 appropriation for personal services. In addition, the Executive Budget includes equipment and adjustments for operating expenses which are not included in the LFA current level. This difference results in the Executive Budget being approximately \$270,000 higher than the LFA current level budget.

The Executive Budget includes \$329,703 less revenue from the 1.5 mill mandatory county levy than the LFA current level budget. The LFA current level budget reflects tax year 1990 data from county assessors, adjusted for anticipated growth in the tax base.

Tuition and fee revenue is \$288,442 higher in the Executive Budget than the LFA current level budget for two reasons:

1) the LFA current level budget uses actual fiscal 1990 tuition and fee revenue net of budget amended tuition revenue for its tuition revenue estimate each year of the 1993 biennium. This explains \$112,270 of the difference; and

2) the Executive Budget includes approximately \$176,000 more tuition and fees because it bases its revenue estimate on the budgeted student FTE which is 111 student FTE higher than fiscal 1990 actual enrollment.

The Executive Budget includes \$1,365,300 more general fund than the LFA current level budget resulting from the higher overall expenditure level in the Executive Budget and higher non-general fund revenue included in the LFA current level budget.

The Executive Budget does not include a number of budget modifications requested by the Board of Regents. Since the Board of Regents plans to present these budget modifications to the legislature, details on these additional requests are provided in the following system narrative.

VOCATIONAL-TECHNICAL CENTERS

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Level - - Fiscal 1992	Fiscal 1993	Change 1991-93 Biennium
Center					
Billings	\$ 1,796,356	\$ 1,907,607	\$ 1,782,680	\$ 1,780,249	-3.81%
Butte	1,631,798	1,737,972	1,663,302	1,660,157	-1.37%
Great Falls	2,039,332	2,071,165	1,998,797	1,994,525	-2.85%
Helena	2,461,436	2,567,896	2,457,884	2,453,073	-2.35%
Missoula	<u>2,712,738</u>	<u>2,749,705</u>	<u>2,661,682</u>	<u>2,658,065</u>	<u>-2.61%</u>
Center Totals	<u>\$10,641,660</u>	<u>\$11,034,345</u>	<u>\$10,564,345</u>	<u>\$10,546,069</u>	<u>-2.61%</u>
Program					
Instruction	\$ 6,212,588	\$ 6,416,341	\$ 6,253,593	\$ 6,234,103	-1.12%
Support	3,097,914	3,056,008	2,949,909	2,942,936	-4.24%
Plant	<u>1,331,158</u>	<u>1,561,996</u>	<u>1,360,843</u>	<u>1,369,030</u>	<u>-5.64%</u>
Program Totals	<u>\$10,641,660</u>	<u>\$11,034,345</u>	<u>\$10,564,345</u>	<u>\$10,546,069</u>	<u>-2.61%</u>
Fund Sources					
General Fund	\$6,591,956	\$7,492,801	\$7,018,306	\$6,983,555	-0.59%
County Millage	862,591	796,000	965,005	981,480	17.36%
Tuition & Fees	1,770,229	1,938,070	1,770,229	1,770,229	-4.53%
Federal	805,544	807,474	805,544	805,544	-0.12%
Other	<u>611,340</u>	<u>0</u>	<u>5,261</u>	<u>5,261</u>	<u>-98.28%</u>
Total Funds	<u>\$10,641,660</u>	<u>\$11,034,345</u>	<u>\$10,564,345</u>	<u>\$10,546,069</u>	<u>-2.61%</u>

System Description

Montana's five postsecondary vocational-technical centers in Billings, Butte, Great Falls, Helena, and Missoula collectively serve approximately 2,000 students. As of July 1988, the Board of Regents assumed general administrative and supervisory control over vocational-technical center education. In fiscal 1990, total costs of operating the centers were assumed by the state and all staff of the five centers became employees of the State of Montana. Prior to this time, staff members were employees of the local school districts.

The primary role of vocational-technical education is to provide individuals preparing to enter, advance, or change their careers with vocational and

technical competencies and life skills. Training is offered in a variety of disciplines in the major areas of agriculture, health, office, marketing, home economics, and trade and technical. The centers award certificates of completion and, with the approval of the Board of Regents, award the Associate of Applied Science degree for appropriate programs.

Enrollment

Enrollment has been decreasing at each vocational-technical center, except Great Falls, since fiscal 1986. Table 1 shows the actual enrollment by center for fiscal years 1986 through 1990 and the percent change from fiscal 1988 to 1990.

VOCATIONAL-TECHNICAL CENTERS

Table 1
Vocational-Technical Center Enrollment
Actual Student FY FTE Enrollment
Fiscal Years 1986 to 1990

	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	Fiscal 1990	% Change FY88-90
Billings	489	443	398	356	334	-16.1%
Butte	406	397	395	354	280	-29.1%
Great Falls	391	418	473	525	503	6.3%
Helena	647	579	577	506	436	-24.4%
Missoula	577	507	487	482	446	- 8.4%
Total	2,510	2,344	2,330	2,223	1,999	-14.2%

Current Level Budget

The LFA current level budget was developed using the "base-plus-inflation" or incremental approach used for most other state agencies. Formula funding had been used for the vocational-technical centers since 1981; however, the 1989 legislature discontinued this practice. When the vocational-technical centers became state agencies in 1988, the state assumed the funding responsibility for the centers' general operations. Prior to state assumption, the formula did not include expenditures funded by the local voted mill levy or services provided to the vocational-technical centers by the local high school district. Therefore, the formula's component values did not reflect the total cost of center operations. The 1989 legislature adopted the budget for the 1991 biennium using an incremental approach. This policy is continued with the LFA current level budget for the 1993 biennium.

The LFA current level budget provides a 2.6 percent decrease in the 1993 biennium from the 1991 biennium. This decrease is due primarily to three factors. First, current level fiscal 1990 expenditures were \$229,689 less than appropriated, due in part to a \$167,840 tuition revenue shortfall. The second factor contributing to the biennial decrease is that actual operating expenses in fiscal 1990 were \$443,652 less than the appropriation

with a portion used to fund \$258,103 more personal services costs than appropriated. Finally, the current level budget projects personal services costs based on the fiscal 1991 personal services appropriation and operating expenses on actual fiscal 1990 expenditures. Since funds were transferred from operating expenses to personal services in the base year, the result is a lower overall budget.

The LFA current level budget also excludes increased expenditures from budget amended tuition funds. This is discussed in the "Issues" section of this narrative.

Current Level Expenditures

Personal services were included at the fiscal 1991 appropriated level, which includes state pay plan increases through fiscal 1991 and additional funding provided by the 1989 legislature for classification conversion costs for non-faculty positions. LFA current level does not include additional funding for implementing a state-wide faculty salary matrix. (This is discussed in the Board of Regents' budget modification section below.) Table 2 shows the fiscal 1990 actual personal services expenditures by center and program, the fiscal 1991 appropriation for personal services by center and program, and the fiscal 1992 current level personal services budget by center and program. Fiscal 1992 personal services are slightly higher

VOCATIONAL-TECHNICAL CENTERS

than fiscal 1991 due to the higher number of work hours in fiscal 1992. Fiscal 1993 costs (on the main table)

decrease slightly from fiscal 1992 as the number of hours decrease from 1992 to 1993.

Table 2
Personal Services Expenditures
Fiscal 1990 Actual, 1991 Appropriated, 1992 Current Level

<u>Program/Year</u>	<u>Billings</u>	<u>Butte</u>	<u>Gt. Falls</u>	<u>Helena</u>	<u>Missoula</u>
Instruction					
FY1990 Actual	\$912,361	\$812,319	\$1,078,961	\$1,252,910	\$1,388,496
FY1991 HB 100*	891,558	792,894	1,109,056	1,286,211	1,317,613
FY1992 Current Level	900,457	800,808	1,120,126	1,299,049	1,330,765
Support					
FY1990 Actual	474,118	365,739	421,587	512,143	633,536
FY1991 HB 100*	440,536	424,117	382,282	483,051	626,587
FY1992 Current Level	444,933	428,350	386,098	487,872	632,841
Plant					
FY1990 Actual	85,098	114,035	95,949	102,383	178,599
FY1991 HB 100*	97,054	119,077	122,154	102,215	170,982
FY1992 Current Level	98,023	120,266	123,373	103,235	172,689

*Includes pay plan conversion costs.

Operating costs were based on fiscal 1990 actual expenditures. Adjustments from actual fiscal 1990 expenditures for inflation, audit costs, and insurance were applied, resulting in a small net

expenditure decrease in both years of the 1993 biennium. Table 3 identifies the type and adjustment amount included in the 1993 biennium current level budget.

VOCATIONAL-TECHNICAL CENTERS

Table 3
Operating Expense Adjustments to Fiscal 1990 Expenditures
1993 Biennium

<u>Base Adjustments</u>	<u>Billings</u>	<u>Butte</u>	<u>Gt. Falls</u>	<u>Helena</u>	<u>Missoula</u>	<u>TOTAL</u>
Support						
Insurance-FY92*	\$ 921	\$(3,791)	\$(6,482)	\$1,746	\$3,015	\$ (4,591)
Insurance-FY93*	1,024	(3,706)	(6,365)	1,877	3,152	(4,018)
Audit-FY 92	(13,113)	(9,968)	(10,623)	(9,968)	(11,933)	(55,605)
Audit-FY 93	(13,113)	(9,968)	(10,623)	(9,968)	(11,933)	(55,605)
Plant						
Insurance-FY92	1,583	5,029	1,878	(2,229)	(3,742)	2,519
Insurance-FY93	<u>1,900</u>	<u>5,532</u>	<u>2,139</u>	<u>(1,826)</u>	<u>(3,401)</u>	<u>4,344</u>
Total Base Adjustments-FY 92	\$(10,609)	\$(8,730)	\$(15,227)	\$(10,451)	\$(12,660)	\$(57,677)
Total Base Adjustments-FY 93	\$(10,189)	\$(8,142)	\$(14,849)	\$(9,917)	\$(12,182)	\$(55,279)
Inflation						
Instruction-FY92	\$ 273	\$ 303	\$ 624	\$ 1,274	\$ 946	\$3,420
Instruction-FY93	528	374	776	1,739	1,262	4,679
Support-FY 92	1,961	1,031	1,611	2,269	3,349	10,221
Support-FY 93	2,436	1,345	1,560	2,572	3,808	11,721
Plant-FY 92	5,277	3,202	4,923	5,092	7,488	25,982
Plant-FY 93	<u>7,193</u>	<u>4,222</u>	<u>6,362</u>	<u>6,176</u>	<u>10,744</u>	<u>34,697</u>
Total Inflation-FY 92	\$ 7,511	\$4,536	\$7,158	\$ 8,635	\$11,783	\$39,623
Total Inflation-FY 93	\$10,157	\$5,941	\$8,698	\$10,487	\$15,814	\$51,097

*Includes adjustments for student workers' compensation where requested by center.

Capital equipment was included at the center-specific three-year expenditure average and was budgeted in the Instruction program. Table 4 shows the

three-year capital equipment expenditure history by center and the amount included for each center in the current level budget.

VOCATIONAL-TECHNICAL CENTERS

Table 4
Capital Equipment Expenditures
Fiscal 1988 through 1990 and 3 Year Average

Center	- - - Total Equipment Purchases - - - FY 88	FY 89	FY 90	Current Level 3-Year Average
Billings	\$ 50,610	\$110,135	\$ 51,999	\$ 70,915
Butte	24,436	32,707	51,157	36,100
Great Falls	48,245	48,235	108,459	68,313
Helena	103,395	153,442	146,810	134,549
Missoula	<u>48,709</u>	<u>105,971</u>	<u>54,787</u>	<u>69,822</u>
System Total	\$275,395	\$450,490	\$413,212	\$379,699
System Average	\$ 55,079	\$ 90,098	\$ 82,642	\$ 75,940

Table 5 summarizes the LFA current level budget by center and program for the 1993 biennium.

Table 5
Budget Program Expenditures By Center
LFA Current Level Budget
1993 Biennium

Fiscal 1992							
Program	Billings	Butte	Great Falls	Helena	Missoula	System	% of Total
Instruction	\$ 998,403	\$ 919,043	\$1,253,163	\$1,556,771	\$1,526,213	\$ 6,253,593	59.20%
Support	552,256	522,140	472,185	616,403	786,925	2,949,909	27.92%
Physical Plant	<u>232,021</u>	<u>222,119</u>	<u>273,449</u>	<u>284,710</u>	<u>348,544</u>	<u>1,360,843</u>	<u>12.88%</u>
Total FY 1992	<u>\$1,782,680</u>	<u>\$1,663,302</u>	<u>\$1,998,797</u>	<u>\$2,457,884</u>	<u>\$2,661,682</u>	<u>\$10,564,345</u>	<u>100.00%</u>
Fiscal 1993							
Program	Billings	Butte	Great Falls	Helena	Missoula	System	% of Total
Instruction	\$ 995,229	\$ 916,065	\$1,249,049	\$1,552,289	\$1,521,471	\$ 6,234,103	59.11%
Support	551,140	520,908	470,797	614,980	785,111	2,942,936	27.91%
Physical Plant	<u>233,880</u>	<u>223,184</u>	<u>274,679</u>	<u>285,804</u>	<u>351,483</u>	<u>1,369,030</u>	<u>12.98%</u>
Total FY 1993	<u>\$1,780,249</u>	<u>\$1,660,157</u>	<u>\$1,994,525</u>	<u>\$2,453,073</u>	<u>\$2,658,065</u>	<u>\$10,546,069</u>	<u>100.00%</u>

LFA Current Level Funding

The vocational-technical centers are funded from the state general fund, a mandatory 1.5 mill county levy, tuition

and fees, federal Carl Perkins vocational education funds, and other revenue. In fiscal 1990, the vocational-technical centers received \$604,872 of education trust interest

VOCATIONAL-TECHNICAL CENTERS

(included in "other" in the main table), which resulted in a general fund reversion. In addition, the vocational-technical centers received \$76,590 more county mill levy collections than appropriated, which also caused a general fund reversion. These reversions were consistent with the requirements of the general appropriations act.

Federal Carl Perkins vocational education funds are included in the 1993 biennium current level budget at \$805,544 annually. The Legislative Auditor recommended in a 1990 audit report that due to restrictions placed on the expenditure of these funds by the federal law, the funds, with the exception of indirect costs, should be deposited to the current restricted fund, rather than the current unrestricted fund (which is the current practice). This is discussed in the "Issues" section of this narrative.

Tuition and fees are included each year in the current level budget at the fiscal 1990 collection level of \$1,770,229. The vocational-technical centers fell \$167,840 short of the tuition revenue estimate used to set the 1991 biennium budget. The current level

tuition and fee estimate does not reflect budget amended tuition revenue at Great Falls and Missoula. (This is discussed in the "Issues" section.) In addition, the current level tuition estimate assumes no tuition rate increase. The Board of Regents establishes tuition and fee rates for the vocational-technical centers. To date, it has not announced plans for a tuition rate increase for the 1993 biennium.

A mandatory 1.5 mill county levy also funds general operations at the vocational-technical centers. The LFA current level budget includes \$1,946,485 from this revenue source in the 1993 biennium. This 17.4 percent increase from the 1991 biennium level reflects tax year 1990 data from assessors in the five counties in which the centers are located, adjusted for anticipated growth in the tax base.

General fund provides the remainder of funding for vocational-technical center general operations. Education trust interest is no longer available as the trust corpus has been spent. Table 6 summarizes the revenue sources by center included in the LFA current level budget for the 1993 biennium.

VOCATIONAL-TECHNICAL CENTERS

Table 6
Budgeted Revenue By Source By Center
LFA Current Level Budget
1993 Biennium

Fiscal 1992

<u>Revenue</u>	<u>Billings</u>	<u>Butte</u>	<u>Gt. Falls</u>	<u>Helena</u>	<u>Missoula</u>	<u>System</u>	<u>% of Total</u>
General Fund	<u>\$928,607</u>	<u>\$1,204,001</u>	<u>\$1,275,560</u>	<u>\$1,723,145</u>	<u>\$1,886,993</u>	<u>\$7,018,306</u>	<u>66.43%</u>
Other Current Unrest.							
Tuition & Fees	299,708	233,597	432,682	393,585	410,657	1,770,229	16.76%
County Millage	379,703	87,647	154,755	123,080	219,820	965,005	9.13%
Federal	169,859	137,995	135,663	217,952	144,075	805,544	7.63%
Other	<u>4,803</u>	<u>62</u>	<u>137</u>	<u>122</u>	<u>137</u>	<u>5,261</u>	<u>0.05%</u>
Subtotal Other	<u>854,073</u>	<u>459,301</u>	<u>723,237</u>	<u>734,739</u>	<u>774,689</u>	<u>3,546,039</u>	<u>33.57%</u>
Total Revenue	<u>\$1,782,680</u>	<u>\$1,663,302</u>	<u>\$1,998,797</u>	<u>\$2,457,884</u>	<u>\$2,661,682</u>	<u>\$10,564,345</u>	<u>100.00%</u>

Fiscal 1993

<u>Revenue</u>	<u>Billings</u>	<u>Butte</u>	<u>Gt. Falls</u>	<u>Helena</u>	<u>Missoula</u>	<u>System</u>	<u>% of Total</u>
General Fund	<u>\$919,693</u>	<u>\$1,199,360</u>	<u>\$1,268,646</u>	<u>\$1,716,232</u>	<u>\$1,879,623</u>	<u>\$6,983,555</u>	<u>66.22%</u>
Other Current Unrest.							
Tuition & Fees	299,708	233,597	432,682	393,585	410,657	1,770,229	16.79%
County Millage	386,186	89,143	157,397	125,182	223,573	981,480	9.31%
Federal	169,859	137,995	135,663	217,952	144,075	805,544	7.64%
Other	<u>4,803</u>	<u>62</u>	<u>137</u>	<u>122</u>	<u>137</u>	<u>5,261</u>	<u>0.05%</u>
Subtotal Other	<u>860,556</u>	<u>460,797</u>	<u>725,879</u>	<u>736,841</u>	<u>778,442</u>	<u>3,562,514</u>	<u>33.78%</u>
Total Revenue	<u>\$1,780,249</u>	<u>\$1,660,157</u>	<u>\$1,994,525</u>	<u>\$2,453,073</u>	<u>\$2,658,065</u>	<u>\$10,546,069</u>	<u>100.00%</u>

Issues

Budget Amended Tuition

In fiscal 1990, the Great Falls and Missoula vocational-technical centers collected \$56,135 more tuition and fees than estimated by the legislature for the 1991 biennium. These funds were added to the Instruction program at the time the budget amendment was approved, but subsequent program transfers moved a portion of the additional spending authority to the Support program. Both centers spent the additional tuition revenue. The LFA current level budget excludes these expenditures as they were unanticipated at the time the 1989 legislature established the 1991 biennium budget.

The centers will be asking the 1991 legislature for \$174,291 additional

fiscal 1991 authority to spend higher tuition and fee collections anticipated for this year. If higher tuition and fee collections and related expenditures are expected to continue, the legislature may want to consider including the tuition revenue and resulting expenditures in the 1993 biennium current level budgets.

PESC Recommendations

The Postsecondary Education Study Committee (PESC) was created by the 1989 legislature to study postsecondary education funding issues. The committee studied issues involving several levels of postsecondary education, including the university system, vocational-technical centers, and community colleges. Two of PESC's recommendations relate to vocational-technical center funding and are presented below.

VOCATIONAL-TECHNICAL CENTERS

Formula Funding

Prior to fiscal 1988, the vocational-technical centers were governed by the Office of Public Instruction but were closely tied to their local school districts. The state provided approximately 80 percent of total funding for the centers based on a funding formula, with local school districts providing the remainder through a voted mill levy and in-kind services. Instructors and other personnel were paid based on each district's individual pay matrix. In fiscal 1988, the legislature transferred governance to the Board of Regents, although personnel remained on school district pay matrices and local support continued until fiscal 1990. Beginning in fiscal 1990, total costs of operating the centers were assumed by the state and all personnel became employees of the state. Because the prior funding formula was designed to include only a portion of the centers' costs, it became obsolete. As a result, the 1989 legis-

lature adopted incremental funding of the centers for the 1991 biennium and directed PESC to examine options for a new funding mechanism for use in the 1993 biennium.

Analysis showed that expenditures differed significantly among the centers in each expenditure category due to differences in the level of local support and pay matrices of each district, changes in enrollment from levels anticipated when budgets were determined, and differences in center philosophies as to staffing and expenses required. After extensive study, PESC recommended an enrollment-based funding formula for the Instruction and Support programs and a portion of the Equipment program. The Plant and Maintenance program would continue to be budgeted incrementally, reflecting the costs unique to each center's facility. Table 7 summarizes the recommended funding mechanisms in each of these four programs.

VOCATIONAL-TECHNICAL CENTERS

Table 7
PESC Recommended Funding and Mechanism
1993 Biennium

<u>Program Determination</u>	<u>Formula</u>	<u>Formula Factors</u>
-----INSTRUCTION-----		
	(Enrollment/student faculty ratio)	(1,938/13.5)
	x	x
Faculty Compensation	Faculty Compensation	\$34,840
+	+	
Operating Expenses	Enrollment	1,938
=	x	x
Total Instruction	Rate Per Student	\$265
	=	
	Total Instruction	
-----SUPPORT-----		
	Enrollment	1,938
	x	x
	Rate Per Student	\$1,457
	=	
	Total Support	
-----EQUIPMENT-----		
Minor Equipment	Enrollment	1,938
+	x	x
Capital Equipment	Rate Per Student	\$75
=	+	+
Total Equipment	Uniform Appropriation Per Center	\$84,038 Per Center
	=	
	Total Equipment	
-----PLANT AND MAINTENANCE-----		
	Individual Center Funded Incrementally	

The committee recommends that enrollment be based upon the average of the previous two years' actual enrollment to maintain stability and to conform with the method used to determine enrollment for budgeting purposes at the university units and the community colleges. In the 1993 biennium, enrollment would be based upon actual fiscal 1989 and 1990 enrollments.

Instruction would be based upon a uniform, enrollment-based formula. Average faculty salary, student/faculty

ratios, and operating expenses are based upon prior years' actual experience at all centers, with inflationary adjustments.

Support would be based upon a uniform, enrollment-based formula. The support rate per student is based upon fiscal 1989 actual support expenditures, the estimated value of in-kind services provided by the local school districts now the responsibility of the state, and an inflationary increase.

VOCATIONAL-TECHNICAL CENTERS

Minor equipment would be based on a uniform, enrollment-based formula and capital equipment on a uniform appropriation per center. Minor equipment is all equipment costing less than \$300, while capital equipment is equipment costing \$300 or greater. The minor equipment rate per student/center is based upon prior years' actual equipment expenditures, with inflationary adjustments. The capital equipment appropriation is based on average actual expenditures at the centers during the four-year period, fiscal 1986 through 1989.

All plant and maintenance expenditures would be incrementally based. The LFA

current level for the 1993 biennium is included in the formula.

Table 8 compares the costs of incorporating the proposed funding formula to: 1) the 1991 biennium appropriated level; and 2) the LFA incrementally based current level in the 1993 biennium. The first column compares costs on the assumption that enrollment is at the fiscal 1987-1988 level, which is the level used in the 1991 biennium. The second column compares costs using actual fiscal 1989-1990 enrollments, which would be the level used in the formula for the 1993 biennium. Enrollment decreases by 207 students (or 9.65 percent) between the 1991 and 1993 biennia.

Table 8
Comparison of Formula to 1991 Biennium Appropriation and LFA Current Level
Vocational-Technical Centers
1993 Biennium

<u>Funding Mechanism</u>	<u>Enrollment at 2,145*</u> <u>Actual Fiscal 1987-88</u>	<u>Enrollment at 1,938*</u> <u>Actual Fiscal 1989-90</u>
Formula Allocation	\$22,364,049**	\$20,548,628**
Appropriated 1991 Biennium	<u>21,942,456</u>	<u>21,942,456</u>
Difference	\$ 421,593	\$(1,393,828)
1993 Biennium		
LFA Current Level	<u>21,110,414</u>	<u>21,110,414</u>
Difference	\$ 1,253,635	\$ (561,786)

* Actual FTE enrollment is adjusted to reflect the standard 162 days of instruction.

**Does not include audit costs or insurance costs of \$265,596.

The table shows that if enrollments had remained stable at 1989 biennium levels, total costs of funding the vocational-technical centers with the formula recommended by PESC (using the assumptions listed above) would have been \$22,364,049, or 1.9 percent higher than the 1991 biennium appropriation. This increase is primarily the result of incorporating higher salaries and inflation. The table also shows that the formula would have increased funding

\$1,253,635 more than the incremental method contained in the LFA current level for the 1993 biennium. Finally, the table shows that declining enrollments at the centers cause the formula to actually cost less in the 1993 biennium than either the 1991 biennium appropriation or the LFA current level using an incremental method. Because most of the formula is enrollment-based, declining enrollment reduces the budget.

VOCATIONAL-TECHNICAL CENTERS

Table 9 applies the formula to each vocational-technical center using actual

fiscal 1987-1988 and fiscal 1989-1990 enrollments and compares the totals to the 1991 biennium appropriation.

Table 9
Comparison of Formula by Center
1993 Biennium

----- Fiscal 1987 - 1988 Enrollment -----					
	<u>Enrollment*</u>	<u>Biennium Formula Allocation**</u>	<u>1991 Biennium Appropriation</u>	<u>Difference</u>	<u>Percent</u>
Billings	379	\$ 3,959,034	\$ 3,795,503	\$163,531	4.3%
Butte	357	3,736,917	3,457,028	279,889	8.1%
Great Falls	401	4,225,256	4,116,607	108,649	2.6%
Helena	520	5,299,042	5,112,816	186,226	3.6%
Missoula	<u>488</u>	<u>5,143,800</u>	<u>5,460,502</u>	<u>(316,702)</u>	<u>-5.8%</u>
Total	2,145	\$22,364,049	\$21,942,456	\$421,593	1.9%

----- Fiscal 1989 - 1990 Enrollment -----					
	<u>Enrollment*</u>	<u>Biennium Formula Allocation**</u>	<u>1991 Biennium Appropriation</u>	<u>Difference</u>	<u>Percent</u>
Billings	310	\$ 3,352,725	\$ 3,795,503	\$ (442,778)	-11.7%
Butte	286	3,114,838	3,457,028	(342,190)	-9.9%
Great Falls	463	4,771,545	4,116,607	654,938	15.9%
Helena	424	4,450,912	5,112,816	(661,904)	-12.9%
Missoula	<u>455</u>	<u>4,858,608</u>	<u>5,460,502</u>	<u>(601,894)</u>	<u>-11.0%</u>
Total	1,938	\$20,548,628	\$21,942,456	\$(1,393,828)	-6.4%

* Adjusted to reflect standard 162 days of instruction.

**Does not include audit costs or insurance costs of \$265,596.

The table shows that the impact to individual centers varies widely due to changes in enrollment and differences in past expenditures and local support.

Lump Sum

The PESC also recommends the vocational-technical centers' current level budget be appropriated to the Board of Regents

in a lump sum appropriation similar to, but separate from, the university system. The lump sum appropriation would allow the Board of Regents to address the funding disparities among the centers shown in Table 9. Details of the PESC's lump sum appropriation recommendation are included in the "Issues" section in the Montana University System narrative.

VOCATIONAL-TECHNICAL CENTERS

Board of Regents Budget Modifications

1993 Biennium

<u>Budget Modifications</u>	<u>FTE FY92</u>	<u>FTE FY93</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
1) Replace Federal Carl Perkins Funds			\$1,614,000	\$(1,614,000)	\$ 0
2) Faculty Salary Equity Pool			800,000		800,000
3) Capital Equipment Pool			500,000		500,000
4) Increase State Support for Physical Plant			480,566	(525,463)	(44,897)
5) Audit & Insurance Adjustment			(32,802)		(32,802)
Total	0.0	0.0	\$3,354,801	\$(2,132,500)	\$1,222,301

The Board of Regents has indicated it plans to present these budget modification requests to the 1991 legislature. Modification requests number four and five were received by the LFA in mid-December, which did not allow time for analysis. They are included on this table for the legislature's information. The Executive Budget does not include any of these proposed budget modifications.

Replace Federal Carl Perkins Funds

Federal Carl Perkins vocational education funds are awarded to the vocational-technical centers and to secondary schools and other organizations on a formula and competitive bid basis for various vocational education activities. In past years, the legislature has appropriated Carl Perkins funds as part of the regular operating budgets of the vocational education centers. The Office of the Legislative Auditor (OLA) has determined that the funds are being improperly accounted for as current unrestricted funds because of federal restrictions limiting their use and should, with the exception of indirect costs, be accounted for in the restricted subfund. Restricted funds are appropriated by language and are not generally used for operating costs at the centers. The OLA's determination means that Carl Perkins funds currently being used for general operations should

no longer be included with other general operating funds in the current unrestricted account. It does not reduce the level of funding available to the centers. The Board of Regents is proposing to replace these restricted Carl Perkins funds with \$807,000 in general fund each year of the 1993 biennium for operations and use the restricted Carl Perkins funds for program development.

Faculty Salary Equity Pool

Prior to the vocational-technical centers coming under the supervision of the Board of Regents, each center had a separate faculty collective bargaining unit, which negotiated salaries and benefit packages with its own school district. When the faculty, as employees of the State of Montana, merged into one collective bargaining unit in fiscal 1990 covering all five centers, salary disparities existed among the centers as a result of past individual bargaining agreements. The Board of Regents is negotiating a statewide salary matrix for vocational technical faculty, but it contends that the vocational-technical 1991 biennium appropriation is insufficient to negotiate a salary schedule that would address the problem of salary inequity among the centers. The board requests a general fund appropriation of \$800,000 for the biennium to create a salary equity pool which can be used to

VOCATIONAL-TECHNICAL CENTERS

negotiate a salary matrix which will standardize salary levels at the five centers.

Capital Equipment Pool

Vocational-technical education is capital intensive because students must be trained using current equipment and technology if their training is to be

relevant in today's job market. After reviewing the equipment needs of the five vocational-technical centers, the Board of Regents is requesting an additional \$500,000 for the biennium for equipment for an instructional equipment pool for all five centers. The 1989 legislature appropriated approximately \$800,000 for equipment purchases during the 1991 biennium.

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

AGRICULTURAL EXPERIMENT STATION

Budget Item	Executive Current Level		LFA Current Level		Executive Over(Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	259.67	259.67	259.67	259.67	0.00
Personal Services	7,923,964	7,923,964	7,923,964	7,923,964	0
Operating Expenses	1,502,177	1,483,387	1,481,960	1,483,425	20,179
Equipment	<u>144,000</u>	<u>129,000</u>	<u>138,300</u>	<u>126,000</u>	<u>8,700</u>
Total Agency	\$9,570,141	\$9,536,351	\$9,544,224	\$9,533,389	\$28,879
Fund Sources					
General Fund	7,134,631	7,115,890	6,991,552	6,993,017	265,952
Current Unrestricted	<u>2,435,510</u>	<u>2,420,461</u>	<u>2,552,672</u>	<u>2,540,372</u>	(237,073)
Total Funds	\$9,570,141	\$9,536,351	\$9,544,224	\$9,533,389	\$28,879

Executive Budget Comparison

The Executive Budget is \$28,879 higher in total expenditures and \$265,952 higher in general fund than the LFA current level budget. These differences are caused by several factors:

1) The Executive Budget includes more general fund because the federal revenue estimate used by the Executive Budget (\$1,706,135 annually) was submitted with the agency's budget request while the LFA current level budget reflects the agency's updated federal revenue estimate (\$1,820,768 annually) obtained in early December 1990. The Executive Budget also includes the agency's sales and service revenue estimate (\$325,000 annually), while the LFA current level budget includes \$340,000 annually, which reflects historical collections.

2) The Executive Budget removes \$15,752 of communications expense in fiscal 1993 relating to the termination of a ten-year telephone lease agreement. The LFA current level budget does not make this adjustment because additional funds were not provided when the lease began.

3) The Executive Budget uses a \$20,133 higher expenditure base for utilities which was partially offset by reducing fiscal 1990 actual expenditures for repair and maintenance by \$14,241.

4) The Executive Budget allows the agency's request for increased recharges. The LFA current level budget includes \$147,785 annually (which is the fiscal 1991 campus budgeted amount), while the Executive Budget includes \$162,472 annually (the agency's request).

5) The LFA current level budget removes approximately \$8,200 in fiscal 1992 and \$7,700 in fiscal 1993 of expenditures included in miscellaneous expenditure categories that are considered to be non-recurring items. The Executive Budget includes these expenditures.

6) Finally, the Executive Budget includes a higher funding level for the Livestock and Range Research Station, a self-supporting beef cattle research station in Miles City. The Executive Budget includes more funding for a pickup truck than included in the LFA current level equipment budget in fiscal 1993. In the Executive Budget, operating expenses (approximately \$10,500 annually) are based on fiscal 1991 appropriated levels, while the LFA current level budget reflects actual fiscal 1990 operating expenditures of \$3,820.

The Executive Budget does not include four budget modifications requested by the Board of Regents. Since the Board of Regents plans to present these budget modifications to the legislature, these additional requests are listed on the

AGRICULTURAL EXPERIMENT STATION

"Board of Regents Budget Modification"
table in the Commissioner of Higher

Education
narrative.

executive

comparison

AGRICULTURAL EXPERIMENT STATION

<u>Budget Item</u>	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	259.67	259.67	259.67	259.67	.00
Personal Services	7,525,972	7,877,894	7,923,964	7,923,964	2.88%
Operating Expenses	1,472,406	1,450,272	1,481,960	1,483,425	1.46%
Equipment	127,594	119,000	138,300	126,000	7.18%
Debt Service	306	0	0	0	-100.00%
Total Agency	\$9,126,278	\$9,447,166	\$9,544,224	\$9,533,389	2.71%
<u>Fund Sources</u>					
General Fund	6,735,143	7,026,636	6,991,552	6,993,017	1.62%
Current Unrestricted	<u>2,391,135</u>	<u>2,420,530</u>	<u>2,552,672</u>	<u>2,540,372</u>	<u>5.85%</u>
Total Funds	\$9,126,278	\$9,447,166	\$9,544,224	\$9,533,389	2.71%

Agency Description

The Montana Agricultural Experiment Station (MAES) was established at Montana State University by the legislature in 1893 under Hatch Act authorization enacted by the U.S. Congress. Its mission, as provided in Section 20-25-222, MCA, is to conduct research relating to agriculture, natural resources, and rural life and to distribute the resulting information among the people of Montana. The MAES is the agricultural research component of the land-grant university's three-part mission of teaching, research, and service.

The goal of the MAES is to enhance the social and economic well-being of the state, national, and international communities through research programs addressing problems facing crop and livestock producers and consumers of agricultural products. Research is conducted to improve the competitive position of Montana farmers and ranchers; to ensure the safety, whole-

someness, and cost-effectiveness of agricultural production; and to develop agricultural techniques applicable to semi-arid and intermountain regions throughout the world.

Current Level Budget

The current level budget provides an overall 2.7 percent increase due to fiscal 1991 pay increases continuing into the 1993 biennium, a one-time increase in equipment funding for the range station to replace a pickup truck, and funding for the Spring Wheat Breeding program in both years of the 1993 biennium. In the 1991 biennium, the Spring Wheat Breeding appropriation was a \$170,000 biennial appropriation. Approximately one-half of this appropriation was spent in fiscal 1990, but the balance does not appear in the table above in fiscal 1991.

AGRICULTURAL EXPERIMENT STATION RESEARCH

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	243.00	243.00	243.00	243.00	.00
Personal Services	7,171,689	7,502,110	7,548,180	7,548,180	2.88%
Operating Expenses	1,468,586	1,439,661	1,478,140	1,479,605	1.70%
Equipment	125,694	116,000	126,000	126,000	4.26%
Debt Service	306	0	0	0	-100.00%
Total Program	\$8,766,275	\$9,057,771	\$9,152,320	\$9,153,785	2.70%
Fund Sources					
General Fund	6,735,143	7,026,636	6,991,552	6,993,017	1.62%
Current Unrestricted	<u>2,031,132</u>	<u>2,031,135</u>	<u>2,160,768</u>	<u>2,160,768</u>	<u>6.38%</u>
Total Funds	\$8,766,275	\$9,057,771	\$9,152,320	\$9,153,785	2.70%

Program Description

The Montana Agricultural Experiment Station research program includes fourteen academic departments, service divisions, and laboratories located at Bozeman and seven Agricultural Research Centers located around the state. Considerable research activity is also conducted using the land and facilities of private Montana farmers and ranchers.

Research projects relating to agricultural activities and other uses of natural resources are undertaken to enhance knowledge of the social, environmental, and economic impacts of agricultural production activities and policies; to make research findings useful in their applications to the problems and choices facing the state; and to disseminate research findings in an understandable manner to other scientists and private citizens.

Current Level Budget

The current level budget provides a 2.7 percent increase in the 1993 biennium due primarily to salary and health insurance increases allowed in fiscal 1991 and continued into the 1993 biennium. The legislature funded 6 percent salary increases each year of the current biennium for faculty members of the MAES, 2.5 percent annual salary increases for all other MAES employees,

and health insurance increases for all employees.

Operating costs are included at approximately the fiscal 1990 level with adjustments for inflation (\$26,528 in fiscal 1992 and \$27,077 in fiscal 1993), increased insurance costs from the fiscal 1990 actual level (\$1,244 in fiscal 1992 and \$2,250 in fiscal 1993), increased recharges from Montana State University (\$10,009 annual increase), and removal of \$26,829 of miscellaneous "other" expenditures from the base year expenditures. Equipment is funded at \$126,000 annually for new and replacement scientific equipment.

The Spring Wheat program is included in the current level budget at \$85,000 annually, which funds 1.0 FTE, operating expenses, and equipment.

The MAES is funded from the general fund, sales and service revenue, and federal funds. Table 1 below illustrates the expenditures by revenue source for the MAES research program for fiscal years 1990 through 1993. The current level budget projects expenditures funded from sales and service revenue to increase 4.6 percent in the fiscal 1993 biennium to \$340,000 annually. This increased expenditure projection is based on actual increased annual revenue in the account. Federal regional research funds are budgeted to increase 5.5 percent in the 1993 biennium and other Hatch Act funds will

AGRICULTURAL EXPERIMENT STATION RESEARCH

increase 7.3 percent. These estimates are based upon federal fiscal year 1991 grant amounts. General fund is pro-

jected to increase 1.6 percent in the 1993 biennium.

Table 1
EXPENDITURES BY REVENUE SOURCE
MONTANA AGRICULTURAL EXPERIMENT STATION
FISCAL YEARS 1990 - 1993

<u>EXPENDITURES</u>	<u>Actual FY 90</u>	<u>Appropriated FY 91</u>	<u>---Current FY 92</u>	<u>Level--- FY 93</u>	<u>91-93 B. % Change</u>
Sales & Service	\$324,999	\$325,000	\$340,000	\$340,000	4.62%
Federal					
Regional Research	562,403	562,405	593,506	593,506	5.53%
Hatch	1,143,730	1,143,730	1,227,262	1,227,262	7.30%
General Fund	<u>6,735,143</u>	<u>7,026,636</u>	<u>6,991,552</u>	<u>6,993,017</u>	1.62%
TOTAL EXPENDITURES	\$8,766,275	\$9,057,771	\$9,152,320	\$9,153,785	2.70%

LIVESTOCK & RANGE RESEARCH STATION

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	16.67	16.67	16.67	16.67	.00
Personal Services	354,283	375,784	375,784	375,784	2.95%
Operating Expenses	3,820	10,611	3,820	3,820	-47.06%
Equipment	<u>1,900</u>	<u>3,000</u>	<u>12,300</u>	<u>0</u>	<u>151.02%</u>
Total Program	\$360,003	\$389,395	\$391,904	\$379,604	2.95%
<u>Fund Sources</u>					
Current Unrestricted	<u>360,003</u>	<u>389,395</u>	<u>391,904</u>	<u>379,604</u>	<u>2.95%</u>
Total Funds	<u>\$360,003</u>	<u>\$389,395</u>	<u>\$391,904</u>	<u>\$379,604</u>	<u>2.95%</u>

Program Description

The United States Department of Agriculture, Agricultural Research Service Fort Keogh Livestock and Range Research Laboratory at Miles City is a cooperative program of the United States Department of Agriculture and the state through the Montana Agricultural Experiment Station. The purpose of the laboratory is to improve efficiency of livestock production from rangeland resources in the Northern Great Plains. The research program emphasizes finding solutions to immediate and anticipated problems of farmers and ranchers in the region and throughout the nation. A combination of high technology and adaptive interdisciplinary approaches are used to study range development,

improvement, and management; range-forage nutrition; and growth, reproduction, and genetics of beef cattle.

Current Level Budget

The current level budget increases approximately 3 percent in the 1993 biennium due to an estimated 6 percent vacancy savings rate experienced in fiscal 1990 and increased equipment funding in fiscal 1992. Operating costs decrease from the fiscal 1991 appropriation but reflect the station's operating costs of fiscal 1989 and 1990. Funding to replace a pickup truck is included in fiscal 1992.

The Livestock and Range Research Station is funded from cattle sales revenue.

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

COOPERATIVE EXTENSION SERVICE

Budget Item	Executive Current Level		LFA Current Level		Executive Over(Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	115.77	115.77	115.77	115.77	0.00
Personal Services	3,988,347	3,988,347	3,988,347	3,988,347	0
Operating Expenses	518,827	507,715	514,155	513,995	(1,608)
Equipment	<u>20,000</u>	<u>20,000</u>	<u>17,500</u>	<u>17,500</u>	<u>5,000</u>
Total Agency	\$4,527,174	\$4,516,062	\$4,520,002	\$4,519,842	\$3,392
Fund Sources					
General Fund	2,580,666	2,569,554	2,510,082	2,509,922	130,216
Current Unrestricted	<u>1,946,508</u>	<u>1,946,508</u>	<u>2,009,920</u>	<u>2,009,920</u>	<u>(126,824)</u>
Total Funds	\$4,527,174	\$4,516,062	\$4,520,002	\$4,519,842	\$3,392

Executive Budget Comparison

The Executive Budget exceeds the LFA current level budget by \$3,392 in the 1993 biennium for three main reasons:

1) The Executive Budget includes the adjusted base level for equipment (\$20,000 per year), while the LFA current level includes \$17,500 per year, which is a more historic expenditure level.

2) The Executive Budget reduces fiscal 1993 expenditures \$10,546 due to the termination of a ten-year telephone lease agreement. The LFA current level budget does not make a comparable reduction as additional funds were not provided to the agency at the beginning of the agreement.

3) Several other offsetting operating expense base differences between the Executive Budget and the LFA current level budget results in the Executive Budget exceeding the LFA current level

budget by \$8,938 in the 1993 biennium. The telephone lease adjustment made in the Executive Budget narrows the overall difference to \$1,608 in the 1993 biennium.

The Executive Budget also includes \$130,216 more general fund than the LFA current level budget due to differing federal revenue estimates. The Executive Budget uses federal revenue estimates that were submitted with the agency budget request, while the LFA current level budget uses federal revenue estimates updated in December 1990.

The Executive Budget does not include four budget modifications requested by the Board of Regents. Since the Board of Regents plans to present these budget modifications to the legislature, these additional requests are listed on the "Board of Regents Budget Modification" table in the Commissioner of Higher Education executive comparison narrative.

COOPERATIVE EXTENSION SERVICE

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	115.77	115.77	115.77	115.77	.00
Personal Services	3,744,822	3,988,347	3,988,347	3,988,347	3.15%
Operating Expenses	513,623	530,019	514,155	513,995	-1.49%
Equipment	16,655	20,000	17,500	17,500	-4.52%
Debt Service	<u>3,345</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-100.00%</u>
Total Agency	\$4,278,445	\$4,538,366	\$4,520,002	\$4,519,842	2.53%
Fund Sources					
General Fund	2,332,037	2,576,858	2,510,082	2,509,922	2.26%
Current Unrestricted	<u>1,946,408</u>	<u>1,961,508</u>	<u>2,009,920</u>	<u>2,009,920</u>	<u>2.86%</u>
Total Funds	\$4,278,445	\$4,538,366	\$4,520,002	\$4,519,842	2.53%

Agency Description

The Montana Extension Service was established in 1914 as a result of the federal Smith-Lever Act. The Extension Service is dedicated to disseminating and encouraging practical use of research about agricultural production and marketing, human resource development, and home economics.

The Extension Service serves 53 of the 56 counties through 49 county extension offices. It has four area offices, with its main operations being housed in Bozeman on the Montana State University (MSU) campus. Background materials for the Extension Service's educational efforts are developed by: the Extension Service; the Agricultural Experiment Station and other MSU faculty; from research information available through faculty from other public and private universities and colleges; from information provided by researchers and other state and federal agency personnel; and from researchers in the private sector.

Current Level Budget

The 1993 biennium current level budget increases 2.5 percent due primarily to salary increases authorized for fiscal 1991 and continued into the 1993 biennium. The 1989 legislature funded 6 percent salary increases each year of

the 1991 biennium for faculty members of the Extension Service, 2.5 percent annual salary increases for all other Extension Service employees, and health insurance increases for all employees. Operating costs are maintained at approximately the fiscal 1990 level. Equipment is funded at approximately the five-year average and allows the agency to address computer and educational equipment needs. The budget includes \$214,546 in fiscal 1992 and \$214,864 in fiscal 1993 for administrative, operating, and utility costs recharged from Montana State University.

The Extension Service is funded from federal Smith Lever funds and from general fund. Both revenue sources are deposited into the current unrestricted fund. Federal funds are budgeted at \$2,009,920 each year of the 1993 biennium which is the federal fiscal year 1991 grant award. General fund is included at \$2,510,082 in fiscal 1992 and \$2,509,922 in fiscal 1993.

House Bill 757 from the 1989 session directed the Extension Service, in cooperation with the Montana Department of Agriculture, to develop and conduct educational programs to promote groundwater protection and the correct management and use of agricultural chemicals. General fund totalling \$14,967 per year was appropriated to the Extension Service in the general appropriations act for the development of the related educational materials.

COOPERATIVE EXTENSION SERVICE

This amount is included in the current level base for the 1993 biennium. In addition, the bill granted appropriation authority of \$8,000 in fiscal 1990 and \$15,000 in fiscal 1991 for revenue collected from educational workshop fees. No workshops were held or fees

collected in fiscal 1990, since the program was still in its formative stage. The agency anticipates the educational effort will escalate in the 1993 biennium and plans to account for any related workshop fees in its current designated fund, which is the method the agency currently uses for other educational workshop fees.

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

FORESTRY AND CONSERVATION EXPERIMENT STATION

Budget Item	Executive Current Level		LFA Current Level		Executive Over(Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	16.09	16.09	16.09	16.09	0.00
Personal Services	547,721	547,721	547,721	547,721	0
Operating Expenses	128,943	129,347	129,030	129,832	(572)
Equipment	<u>13,000</u>	<u>13,000</u>	<u>9,300</u>	<u>9,300</u>	<u>7,400</u>
Total Agency	\$689,664	\$690,068	\$686,051	\$686,853	\$6,828
Fund Sources					
General Fund	689,664	690,068	686,051	686,853	6,828
Current Unrestricted	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>0</u>
Total Funds	\$689,664	\$690,068	\$686,051	\$686,853	\$6,828

Executive Budget Comparison

The Executive Budget is \$6,828 higher than the LFA current level budget because the Executive Budget includes equipment at the fiscal 1991 adjusted

base level, while the LFA current level budget funds equipment at a more historic expenditure level. The minor difference in operating costs are due to the different bases used to calculate the budgets.

FOREST & CONSERVATION EXPERIMENT STATION

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	16.09	16.09	16.09	16.09	.00
Personal Services	507,491	547,721	547,721	547,721	3.81%
Operating Expenses	137,060	127,184	129,030	129,832	-2.04%
Equipment	3,750	13,000	9,300	9,300	11.04%
Total Agency	\$648,301	\$687,905	\$686,051	\$686,853	2.75%
<u>Fund Sources</u>					
General Fund	648,301	687,905	686,051	686,853	2.75%
Total Funds	\$648,301	\$687,905	\$686,051	\$686,853	2.75%

Agency Description

The Montana Forest and Conservation Experiment Station was established by the Montana legislature in 1937 as a non-profit organization devoted to the scientific investigation of natural resource problems. The station serves as the research unit of the University of Montana School of Forestry with the Dean of the School of Forestry functioning as the station director.

The Montana Forest and Conservation Experiment Station's purposes include the study of relationships between forests and other dimensions of the environment, the discovery of ways to improve the products of forest lands, and the completion and publication of reports about forestry research. Research is carried on at Lubrecht Experimental Forest and at other locations in Montana in cooperation with private, state, and federal agencies.

increases in personal service and equipment costs. Personal services increase 3.8 percent due to fiscal 1991 authorized pay plan increases continuing into the 1993 biennium and vacancy savings realized in fiscal 1990. Fiscal year 1990 operating expenses were approximately \$10,500 higher than appropriated in the 1989 session. Base operating expenditures are returned to the fiscal 1990 appropriated level. Inflationary adjustments of \$2,554 in fiscal 1992 and \$3,320 in fiscal 1993, and university recharges of \$26,863 per year are included in the current level budget.

Equipment is funded at \$9,300 per year, which is the average of actual equipment expenditures for fiscal years 1988 to 1990.

The Montana Forest and Conservation Experiment Station is funded from the general fund.

Current Level Budget

The current level budget is 2.8 percent higher than the 1993 biennium due to

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

BUREAU OF MINES

Budget Item	Executive Current Level		LFA Current Level		Executive Over (Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	26.82	26.82	26.82	26.82	0.00
Personal Services	1,013,566	1,013,566	976,772	976,772	73,588
Operating Expenses	331,925	332,130	339,063	339,955	(14,963)
Equipment	<u>28,500</u>	<u>28,500</u>	<u>28,500</u>	<u>28,500</u>	<u>0</u>
Total Agency	\$1,373,991	\$1,374,196	\$1,344,335	\$1,345,227	\$58,625
<u>Fund Sources</u>					
General Fund	1,330,255	1,330,460	1,296,835	1,297,727	66,153
Current Unrestricted	<u>43,736</u>	<u>43,736</u>	<u>47,500</u>	<u>47,500</u>	<u>(7,528)</u>
Total Funds	\$1,373,991	\$1,374,196	\$1,344,335	\$1,345,227	\$58,625

Executive Budget Comparison

The Executive Budget current level is \$58,625 higher in overall expenditures than the LFA current level budget, \$66,153 higher in general fund, and \$7,528 lower in other funds. These differences are caused primarily by two factors.

The Executive Budget allows the agency's request to reallocate operating expenses to personal services. This adds \$73,588 of personal services costs in the 1993 biennium primarily to fund faculty salary increases. The 1989 legislature funded 6 percent annual salary increases for university faculty positions in the 1991 biennium instead of the 2.5 percent salary increases provided for all other state employees. This reallocation funds salary increases in excess of the

6 percent authorized in the 1991 biennium. The LFA current level budget includes personal services costs at the fiscal 1991 legislative appropriation level.

The reallocation results in \$14,963 lower net operating costs in the Executive Budget than the LFA current level budget.

The Executive Budget includes \$7,528 less revenue from the sale of publications and maps than the LFA current level budget. The Executive Budget used the actual fiscal 1990 collections from this revenue source, while the LFA current level budget includes an inflationary increase on products sold from the fiscal 1990 level.

BUREAU OF MINES AND GEOLOGY

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	26.82	26.82	26.82	26.82	.00
Personal Services	955,119	976,772	976,772	976,772	1.12%
Operating Expenses	348,696	366,652	339,063	339,955	-5.08%
Equipment	19,946	28,500	28,500	28,500	17.66%
Debt Service	3,400	0	0	0	-100.00%
Total Program	\$1,327,161	\$1,371,924	\$1,344,335	\$1,345,227	-.35%
Fund Sources					
General Fund	1,283,425	1,318,924	1,296,835	1,297,727	-.30%
Current Unrestricted	43,736	53,000	47,500	47,500	-1.80%
Total Funds	\$1,327,161	\$1,371,924	\$1,344,335	\$1,345,227	-.35%

Program Description

The Bureau of Mines and Geology is a public service and research agency at the Montana College of Mineral Science and Technology in Butte. The bureau is charged with promoting the effective use of mineral resources through investigation of their geology, production, treatment, and economics. It disseminates information through publications and replies to individual inquiries. The bureau's work includes field and laboratory study, collection of samples and information, interpretation of data, and compilation of statistics on all mineral resources--metallic and non-metallic minerals, fuels, and groundwater. Projects are undertaken in cooperation with the U.S. Geological Survey, the U.S. Bureau of Mines, and other agencies.

all other staff, and health insurance contribution increases for all employees. Any salary increases exceeding the pay plan or the 6 percent per year amounts are not included in the current level budget.

Operating costs decrease 5.1 percent due to the removal of \$4,336 in one-time operating expenses associated with the Poplar River project funded by the 1989 legislature and \$4,775 of miscellaneous other expenditures incurred in fiscal 1990. Current level equipment expenditures are included at \$28,500 annually which reflects the agency's request.

The Bureau of Mines is funded from revenue derived from the sale of maps and publications and from the state general fund. Sales revenue is included at \$47,500 annually in the 1993 biennium, or a 1.8 percent decrease from the 1991 biennium. For the past several years, the bureau has not met its \$53,000 sales revenue target set during the legislative budget hearings. The amount included in the current level budget represents the average of the actual revenue collections in fiscal years 1988, 1989, and 1990 adjusted for inflation in the 1993 biennium. General fund decreases 0.3 percent in the 1993 biennium.

Current Level Budget

The current level budget shows less than a 1 percent decrease in the 1993 biennium. Personal services increase 1.1 percent due to vacancy savings realized in fiscal 1990 and to fiscal 1991 pay plan increases continued into fiscal years 1992 and 1993. The legislature provided 6 percent per year pay plan increases for faculty in the 1991 biennium, 2.5 percent increases for

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

FIRE SERVICES TRAINING SCHOOL

<u>Budget Item</u>	<u>Executive Current Level</u>		<u>LFA Current Level</u>		<u>Executive Over (Under) LFA</u>
	<u>Fiscal 1992</u>	<u>Fiscal 1993</u>	<u>Fiscal 1992</u>	<u>Fiscal 1993</u>	
FTE	4.00	4.00	5.00	5.00	(1.00)
Personal Services	148,087	148,700	175,657	176,368	(55,238)
Operating Expenses	56,565	56,837	59,510	59,464	(5,572)
Equipment	<u>3,000</u>	<u>3,000</u>	<u>300</u>	<u>10,925</u>	<u>(5,225)</u>
Total Agency	\$207,652	\$208,537	\$235,467	\$246,757	\$ (66,035)
<u>Fund Sources</u>					
General Fund	120,106	120,888	211,967	223,257	(194,230)
State Revenue Fund	58,500	58,500	0	0	117,000
Proprietary Fund	<u>29,046</u>	<u>29,149</u>	<u>23,500</u>	<u>23,500</u>	<u>11,195</u>
Total Funds	\$207,652	\$208,537	\$235,467	\$246,757	\$ (66,035)

Executive Budget Comparison

The Executive Budget transfers the Fire Services Training School (FSTS) from the supervision of the Board of Regents to the Forestry Division in the Department of State Lands as part of the proposed reorganization of natural resources agencies.

As a result of the proposed merger with the Forestry Division, the Executive Budget reduces the FSTS's budget 13 percent from the fiscal year 1990 level.

The Executive Budget current level is \$66,035 lower than the LFA current level for FSTS. It eliminates a 1.0 FTE secretary position, assuming that FSTS will use secretarial services available

in DSL. It also reduces operating expenses (primarily travel and communications) by \$5,572 during the biennium due to the proposed reorganization. The Executive Budget current level includes \$5,225 less than the LFA current level for equipment. The LFA current level includes funds to replace a high-mileage vehicle.

The Executive Budget includes less general fund because it replaces \$117,000 general fund with additional fees assessed on private forest lands receiving fire protection from the DSL. The Executive Budget includes \$11,195 more from the agency proprietary fund, based upon the fiscal year 1991 appropriation. The LFA current level is based upon actual fiscal year 1990 revenues to this fund.

FIRE SERVICES TRAINING SCHOOL

<u>Budget Item</u>	<u>Actual Fiscal 1990</u>	<u>Appropriated Fiscal 1991</u>	<u>- - Current Fiscal 1992</u>	<u>Level - - Fiscal 1993</u>	<u>Change 1991-93 Biennium</u>
FTE	5.00	5.00	5.00	5.00	.00
Personal Services	166,692	172,084	175,657	176,368	3.91%
Operating Expenses	56,364	70,759	59,510	59,464	-6.41%
Equipment	16,299	3,184	300	10,925	-42.39%
Total Agency	\$239,355	\$246,027	\$235,467	\$246,757	-.65%
<u>Fund Sources</u>					
General Fund	220,259	217,094	211,967	223,257	-.49%
Proprietary Fund	19,096	28,933	23,500	23,500	-2.14%
Total Funds	\$239,355	\$246,027	\$235,467	\$246,757	-.65%

Agency Description

As authorized in Section 20-31-102, MCA, the Fire Services Training School (FSTS) exists to organize, supervise, and coordinate training and education for fire service personnel in the state in accordance with local needs and the standards established by the Board of Regents. The board provides general supervision of the school, which is located in Great Falls at the vocational-technical center. The Fire Services Training School administers and maintains a resource center for use by localities; provides regional, local, and state-wide training programs for fire services personnel; develops courses and training materials; maintains a network of unsalaried field instructors and offers a fire service professional certification program.

Current Level Budget

The current level budget for the 1993 biennium is at virtually the same level as in the 1991 biennium. Personal services increase 3.9 percent due to the continuation of the fiscal year 1991 pay plan in the 1993 biennium and a one grade reclassification increase for a training specialist position. Operating expenses are higher than fiscal year 1990 actual expenditures due to: 1) approximately \$2,000 each year in inflationary increases; and 2) audit cost increases. Equipment includes \$300

for a computer modem in fiscal 1992 and \$10,925 in fiscal 1993 to replace a 1984 vehicle with over 110,000 miles.

Funding is mainly from the general fund. In addition, the school receives annual fees from firefighting units who use the school and from the sale and rental of fire training materials.

Board of Regents Budget Modification

The Executive Budget does not include this budget modification. The Board of Regents plan to present it to the legislature.

Local Assistance Program

This modification is a result of a recommendation made in 1989 by the Fire Services Training Advisory Council. New federal laws, which mandate that firefighters demonstrate competencies in responding to hazardous materials incidents, require additional training that most Montana fire service personnel have not had. In addition, additional training is needed to help local fire chiefs enforce safety codes as required under state law. The proposed general fund modification of \$60,000 in fiscal 1992 and \$63,000 in fiscal 1993 would allow the Fire Services Training School to contract with up to eight local fire service personnel throughout the state to provide training, organizational development, and needs assessment to help local organizations meet

FIRE SERVICES TRAINING SCHOOL

legislative mandates. This modification would allow a 100 percent increase in training contact hours from the current level of 1,530 hours, which the FSTS

says would assist local firefighting forces to better meet the life safety and property protection needs of Montana.

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

MONTANA UNIVERSITY SYSTEM

Budget Item	Executive Current Level		LFA Current Level		Executive Over (Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
Student FTE	25,063	25,063	25,064	25,064	(1)
<u>Campus</u>					
MSU	\$49,457,368	\$49,262,745	\$49,717,594	\$49,847,566	\$(845,047)
UM	42,775,403	42,689,435	42,908,170	43,022,789	(466,121)
EMC	15,305,329	15,273,811	15,329,411	15,359,975	(110,246)
NMC	8,024,048	8,031,139	7,922,290	7,934,719	198,177
WMC	4,810,294	4,811,893	4,787,278	4,795,772	39,136
MCMST	9,454,744	9,453,438	9,382,736	9,405,051	120,395
Campus Totals	<u>\$129,827,186</u>	<u>\$129,522,461</u>	<u>\$130,047,480</u>	<u>\$130,365,873</u>	<u>\$(1,063,706)</u>
<u>Program</u>					
Instruction	\$69,639,986	\$69,639,986	\$69,685,584	\$69,717,365	\$ (122,977)
Support	37,659,499	37,405,424	37,804,864	37,931,390	(671,331)
Research	1,381,789	1,389,859	1,211,664	1,212,336	347,648
Public Service	475,883	476,563	456,157	456,990	39,299
Plant	17,338,117	17,278,717	17,381,072	17,539,653	(303,891)
Sch & Fellow.	<u>3,331,912</u>	<u>3,331,912</u>	<u>3,508,139</u>	<u>3,508,139</u>	<u>(352,454)</u>
Program Totals	<u>\$129,827,186</u>	<u>\$129,522,461</u>	<u>\$130,047,480</u>	<u>\$130,365,873</u>	<u>\$(1,063,706)</u>
<u>Revenue</u>					
General Fund	\$85,544,911	\$85,012,498	\$85,536,663	\$85,611,056	\$ (590,311)
Millage	11,540,589	11,760,977	11,887,000	12,131,000	(716,434)
Tuition & Fees	31,984,274	31,984,274	31,998,465	31,998,465	(28,382)
Other	<u>757,412</u>	<u>764,712</u>	<u>625,352</u>	<u>625,352</u>	<u>271,420</u>
Total Revenue	<u>\$129,827,186</u>	<u>\$129,522,461</u>	<u>\$130,047,480</u>	<u>\$130,365,873</u>	<u>\$(1,063,706)</u>

Executive Budget Comparison

The Executive Budget current level is \$1,063,706 lower than the LFA current level budget in the 1993 biennium due to several offsetting differences. These differences are discussed by program.

The one student difference between the Executive Budget and the LFA current level results from rounding differences when the student full-time equivalent was calculated.

Instruction

The Executive Budget is \$122,977 less than the LFA current level budget because: 1) the Executive Budget uses higher benefit rates than the LFA current level budget, resulting in approximately \$208,000 more for faculty compensation; and 2) the LFA current

level budget uses a higher instructional support rate. A weighted inflation factor for each year of the 1993 biennium was added to the fiscal 1991 appropriated rate. The Executive Budget does not include any inflationary adjustments. This caused the LFA current level budget to exceed the Executive Budget by approximately \$317,800.

Support

The Executive Budget is \$671,331 less than the LFA current level budget because of three factors: 1) the Executive Budget includes \$23,228 more for legislative audit costs; 2) the LFA current level budget adds a weighted inflation factor for each year of the 1993 biennium to the fiscal 1991 appropriated support rate which is greater than inflationary and insurance increases included in the Executive

MONTANA UNIVERSITY SYSTEM

Budget; and 3) the Executive Budget removes \$427,765 in fiscal 1993 due to the termination of a ten-year telephone system lease agreement. The LFA current level does not make this adjustment as the campuses did not receive additional funding for this purpose when the lease was initiated.

Research and Public Service

The Executive Budget is \$347,648 higher than the LFA current level budget in the Research program and \$39,299 higher in the Public Service program. The Executive Budget includes \$299,539 in the Research program for the statutory appropriation to the University of Montana for tourism research. Statutory appropriations are not included in the LFA current level budget. The remaining \$48,110 difference in the Research program and the \$39,299 difference in the Public Service program is caused largely by the differences in operating bases used to calculate the budgets.

Plant

The Executive Budget is \$303,891 lower than the LFA current level budget due to two factors:

1) the LFA current level budget includes \$599,024 in the 1993 biennium for property and boiler insurance premiums from the Tort Claims Division. The Executive Budget includes insurance premiums in the Support program; and

2) base differences and other adjustments cause the Executive Budget to be approximately \$295,100 higher than the LFA current level budget. The LFA current level budget allows fiscal 1990 actual expenditures within the legislative appropriation and appropriate adjustments. The Executive Budget reflects the fiscal 1991 legislative appropriation with some adjustments to utilities, equipment, and operating expenses.

Scholarships and Fellowships

The Executive Budget includes \$352,454 less in the 1993 biennium for scholarships and fellowships than the LFA current level budget. The Executive

Budget uses the fiscal 1991 scholarships and fellowships appropriation, which reflects lower student enrollment (and therefore lower tuition revenue) than the amount budgeted for the 1993 biennium. The LFA current level budget includes approximately \$252,200 more in discretionary waivers in the 1993 biennium, reflecting increased student enrollment and tuition revenue. The LFA current level budget also includes approximately \$100,000 more for mandatory waivers because it bases mandatory fee waivers on actual fiscal 1990 experience.

Revenue Differences

The Executive Budget methodology for estimating tuition and fee estimates differed slightly from that used in the LFA current level. This difference results in the Executive Budget estimating \$28,382 less (0.04 percent) tuition and fees than the LFA current level budget.

The Executive Budget includes \$271,420 more in "Other" revenue than the LFA current level budget because a \$299,538 statutory appropriation for the accommodations tax-funded tourism research program at the University of Montana is included in the Executive Budget. The LFA current level budget does not include statutory appropriations. The Executive Budget includes \$28,118 less than the LFA current level budget for miscellaneous fees and charges collected by the university units and deposited to the current unrestricted fund. The LFA current level budget uses the actual fiscal 1990 collections of these miscellaneous revenues, while the Executive Budget uses the units' request (which was less than fiscal 1990 collections).

The Executive Budget includes \$716,434 less revenue from the statewide mill levy than the LFA current level budget. The LFA current level budget reflects tax year 1990 data from county assessors, adjusted for anticipated growth in the tax base.

The Executive Budget includes \$590,311 less general fund than the LFA current

MONTANA UNIVERSITY SYSTEM

level budget, reflecting the overall lower Executive Budget expenditure level offset by higher LFA current level budget revenue from non-general fund sources.

Executive Budget Modifications

In addition to the \$259 million current level budget for the 1993 biennium, the Executive Budget contains \$8,191,724 in modified budget requests for the six university units. These budget modifications are discussed in the following agency narrative.

The Executive Budget also recommends using a portion of the university trust interest income to fund the management of trust lands. Generally, university units use trust income for bond payments.

The Executive Budget does not include a number of budget modifications requested by the Board of Regents. Since the Board of Regents plans to present these budget modifications to the legislature, they are discussed in the "Board of Regents Budget Modifications" table in the Executive Budget comparison section of the Commissioner of Higher Education narrative.

MONTANA UNIVERSITY SYSTEM

System Description

The Montana University System is composed of Montana State University in Bozeman, the University of Montana in Missoula, Eastern Montana College in Billings, Northern Montana College in Havre, Western Montana College of the University of Montana in Dillon, and the Montana College of Mineral Science and Technology in Butte. The system serves approximately 25,000 full-time equivalent students annually. The system offers certificates and associate, baccalaureate, masters', and doctorate degrees in several different fields, including agriculture, architecture, business and management, communications, education, engineering and engineering technology, foreign languages, health services, law, letters, life sciences, mathematics, philosophy and religion, physical science, psychology, public affairs, social science, and visual and performing arts.

Of the total students attending one of the campuses of the university system in Fall 1990, 21.2 percent were part-time students, 49.8 percent were female, and 7.7 percent were pursuing an advanced

degree. Total head count enrollment totalled 29,141 students in Fall 1990 -- the highest fall head count enrollment since fiscal 1984.

University Funding

The university system accounts for a significant portion of the general fund budget. The Executive Budget recommends 20 percent of the state general fund expenditures in the 1993 biennium be allocated to the university system. However, the legislature examines only a portion of the total university budgets. The university fund structure includes several different fund types; the legislature examines only the current unrestricted subfund in detail. As shown in Table 1, the current unrestricted fund represents 45.6 percent of total fiscal 1991 budget authority for the university system. The legislature has appropriation authority over all the university funds and appropriates non-current unrestricted funds by "boilerplate" language rather than by line item. The appropriation is contingent upon the Board of Regents approving comprehensive program budgets covering all fund types by July 1 of each fiscal year.

Table 1
Appropriations by Fund Type
Fiscal Year 1991

Fund Type	MSU	UM	EMC	NMC	WMC	MCMST	TOTAL
Current Unrestricted	\$ 49,491,376	\$ 41,920,907	\$15,232,434	\$ 8,228,288	\$4,717,550	\$11,129,726	\$130,720,281
Current Restricted	25,518,948	26,621,391	5,245,870	1,002,803	1,746,039	3,011,102	63,146,153
Designated Fund	17,872,921	9,897,676	4,248,913	1,819,710	885,147	1,438,656	36,163,023
Auxiliary Fund	11,419,601	15,993,900	5,673,112	1,782,663	1,752,370	1,559,815	38,181,461
Loan Fund	59,752	0	120,100	0	18,000	9,800	207,652
Endowment Fund	0	0	0	0	300	300	300
Plant Fund	7,858,691	5,557,000	2,186,069	319,513	450,343	1,530,824	17,902,440
Agency Fund	0	120,000	0	0	0	4,500	124,500
TOTAL	\$112,221,289	\$100,110,874	\$32,706,498	\$13,152,977	\$9,569,748	\$18,684,422	\$286,445,808
Current							
Unrestricted as							
Percent of Total	44.1%	41.9%	46.6%	62.6%	49.3%	59.6%	45.6%

MONTANA UNIVERSITY SYSTEM

Table 2
Montana University System
1993 Biennium Current Level Budget
Current Unrestricted Funds

Budget Item	Actual Fiscal 1990*	Appropriated Fiscal 1991	- - Current Level - - Fiscal 1992	Fiscal 1993	Change 1991-93 Biennium
Student FTE	25,441	24,617	25,064	25,064	
MSU	\$ 46,672,192	\$ 49,490,465	\$ 49,717,594	\$ 49,847,566	3.54%
UM	38,242,950	40,361,495	42,908,170	43,022,789	9.32%
EMC	14,570,697	15,206,115	15,329,411	15,359,975	3.06%
NMC	8,386,396	8,220,180	7,922,290	7,934,719	-4.51%
WMCUM	4,640,674	4,681,564	4,787,278	4,795,772	2.80%
MCMST	8,979,617	9,712,739	9,382,736	9,405,051	0.51%
Campus Totals	<u>\$121,492,526</u>	<u>\$127,672,558</u>	<u>\$130,047,480</u>	<u>\$130,365,873</u>	<u>4.51%</u>
Program					
Instruction	\$ 62,704,491	\$ 68,411,561	\$ 69,685,584	\$ 69,717,365	6.32%
Support	36,824,304	36,719,558	37,804,864	37,931,390	2.98%
Research	1,200,718	1,234,154	1,211,664	1,212,336	-0.45%
Public Service	476,870	474,055	456,157	456,990	-3.97%
Plant O & M	16,911,847	17,501,318	17,381,072	17,539,653	1.47%
Sch. & Fellow.	3,374,296	3,331,912	3,508,139	3,508,139	4.62%
Program Totals	<u>\$121,492,526</u>	<u>\$127,672,558</u>	<u>\$130,047,480</u>	<u>\$130,365,873</u>	<u>4.51%</u>
Fund Sources					
General Fund	\$ 75,838,717	\$ 83,588,800	\$ 85,536,663	\$ 85,611,056	7.35%
Millage	12,050,000	12,022,000	11,887,000	12,131,000	-0.22%
Tuition & Fees	30,793,377	30,924,803	31,998,465	31,998,465	3.69%
IDC	1,213,672	0	0	0	-100.00%
Other	1,596,760	1,136,955	625,352	625,352	-54.25%
Total Funds	<u>\$121,492,526</u>	<u>\$127,672,558</u>	<u>\$130,047,480</u>	<u>\$130,365,873</u>	<u>4.51%</u>

*Excludes \$1,687,733 of budget-amended tuition and fees.

Current Level Budget Summary

University system expenditures are grouped into functional categories, including Instruction, Research, Public Service, Support (academic, student services, and institutional), Operation

and Maintenance of Plant, and Scholarships and Fellowships.

The Instruction category accounts for all activities that are part of an institution's instruction program, including faculty, department operating costs, and instructional equipment.

MONTANA UNIVERSITY SYSTEM

Research includes all expenditures for activities specifically organized to produce research outcomes. MSU, UM, and MCMST have research programs supported with current unrestricted funds.

Public Service includes funds expended for activities that are established primarily to provide noninstructional services beneficial to individuals or groups external to the institution. MSU, UM, EMC, and NMC have current unrestricted funded public service activities.

The Support program includes funds expended to support the institution's primary missions--instruction, research, and public service, to provide administrative and management support to the academic programs, to provide services that enhance the students' emotional and physical well-being, and to support executive level management activities. Examples of support expenditures include libraries, financial aid, counseling and career guidance, fiscal management, and data processing.

The Plant program includes all expenditures necessary to operate and maintain the physical plant, such as building maintenance, custodial services, and utilities.

Scholarships and Fellowships are fee waivers granted to students as the result of state law or Regent policy--such as veterans and high school honor students--or at the institution's discretion--such as athletic scholarships.

The current level budget for the current unrestricted fund provides a 4.5 percent overall increase due primarily to enrollment and inflationary increases. Inflation adds approximately \$1.34 million in fiscal 1992 and \$1.64 million in fiscal 1993 from the fiscal 1991 appropriated level. Higher enrollment budgeted in the 1993 biennium adds approximately \$1.84 million annually to the Instruction and Support program budgets. The university system current unrestricted fund budget is estimated for all six campuses using a combination of a workload-related formula and a

"base-plus-inflation" (or incremental) approach for certain budget programs.

The Instruction and Support program budgets are derived using the funding formula and fiscal 1991 budget factors adopted by the 1989 legislature. The formula calculations also considered enrollment changes at the campuses and anticipated inflation in the 1993 biennium.

The Research, Public Service, and Plant Operation and Maintenance program budgets are estimated using the incremental approach used for most other state agency budgets. Actual fiscal 1990 expenditures within the legislative appropriation have been continued into the 1993 biennium with adjustments reflecting one-time costs, inflation adjustments, and pay plan increases through fiscal 1991.

State general fund increases faster than overall expenditures in the current level budget because other sources have declined or become unavailable for use in the current unrestricted operating budget.

The sections below describe the formula mechanics and budget components in more detail.

Funding Formula Factors

The funding formula uses the following factors to estimate the current unrestricted Instruction and Support budget for the six units: 1) the average of actual enrollment for the two most recent fiscal years, in this case, fiscal years 1989 and 1990; 2) student/faculty ratios; 3) average faculty salaries; 4) faculty benefit rates; 5) instructional support cost per student; and 6) support program cost per student. The Instruction and Support programs total 83 percent of the current unrestricted budget.

Peers

The Montana legislature has used peer comparative analysis for several years to evaluate university funding methods and levels. In the 1989 biennium interim, the University Funding Study

MONTANA UNIVERSITY SYSTEM

Committee reevaluated Montana's peer institutions. Peers were chosen on the basis of five major categories of institutional characteristics: 1) public institutions; 2) geographic region; 3) role and scope; 4) enrollment profile; and 5) research mission. The selected peers are listed on Table 3. These peers were used by the 1989 legislature in setting appropriation levels.

Table 3
Montana University System Peer
Institutions
Selected by University Funding
Study Committee
1989 Biennium

MSU and UM Peers

New Mexico State University
North Dakota State University
Northern Arizona University
University of Idaho
University of Nevada, Reno
University of North Dakota
University of Wyoming
Utah State University

Eastern Montana College Peers

Eastern New Mexico University
Eastern Washington University
Minot State University, ND
Northern State College, SD
Southern Oregon State College
University Southern Colorado

Northern Montana College Peers

Adams State College, CO
Oregon Institute of Technology
Lewis-Clark State College, ID
Western New Mexico University

Western Montana College Peers

Dakota State, SD
Dickinson State University, ND
Mayville State University, ND
Valley City State University, ND
Western New Mexico University

MCMST Peers

Colorado School of Mines
South Dakota School of Mines
New Mexico Institute of Mining
and Technology

Instruction

The current level budget for the Instruction program is \$139,402,949 for the 1993 biennium, an increase of 6.3 percent from the current biennium. The Instruction program budget is developed using formula factors 1 through 5. The Instruction budget is a combination of instructional faculty compensation and instructional support costs, which consist of support personnel and actual operating costs and instructional equipment. Instructional compensation is calculated using student enrollment, student/faculty ratios, and an average faculty salary plus benefits. The student enrollment is divided by the student/faculty ratio to compute the FTE faculty. The FTE faculty is then multiplied by the average faculty salary plus benefits to compute total instructional faculty compensation. An instructional support rate per FTE student is multiplied by the student enrollment and added to the faculty compensation to determine the total Instruction program budget.

The enrollment used in the formula budgets is based on the average of the previous two years' actual enrollments. Table 4 shows the enrollment for fiscal 1989 and 1990 and the average used in the 1993 biennium current level budget calculations. Table 4 also shows the enrollment used in the 1991 biennium budget for comparative purposes. The two year average enrollment used in the 1993 biennium current level budget is 25,064, an 1.8 percent increase from the budgeted enrollment for the 1991 biennium. The enrollment changes range from a 6.7 percent increase at the University of Montana to a 4 percent decrease at Northern Montana College.

MONTANA UNIVERSITY SYSTEM

Table 4
Budgeted and Actual Fiscal Year FTE Enrollment
1991 And 1993 Biennia

UNIT	-- Actual --		1993	1991	Change	
	FY 89	FY 90	Biennium Average Enroll.	Biennium Budgeted Enroll.	1991 to 1993 Biennia	
					# FTE	%
MSU	9,371	9,543	9,457	9,476	-19.0	-0.2%
UM	7,977	8,587	8,282	7,759	523.0	6.7%
EMC	3,287	3,354	3,321	3,296	25.0	0.8%
NMC	1,548	1,581	1,565	1,631	-66.0	-4.0%
WMCUM	954	877	916	877	39.0	4.4%
MCMST	<u>1,546</u>	<u>1,499</u>	<u>1,523</u>	<u>1,578</u>	<u>-55.0</u>	<u>-3.5%</u>
System	24,683	25,441	25,064	24,617	447.0	1.8%

The student/faculty ratios, average faculty salary, and faculty benefit rates used to determine the 1993 biennium instructional faculty costs are summarized in Table 5. The student/faculty ratios are those adopted by the 1989 legislature for fiscal year 1991 and reflect the legislature's intent to incrementally move towards using peer level student/faculty ratios. The average faculty salaries, based on fiscal 1988 Montana average salaries with "six-and-six" percent increases negotiated with the units by the Board of Regents, are also those adopted by the 1989 legislature for fiscal 1991. The benefits rates are based on the anticipated 1993 biennium rates for teacher's retirement, FICA, state unemployment, and workers' compensation; and fiscal 1991 rates for group health insurance.

The instructional support costs of the Instruction program are determined by multiplying the budgeted enrollment by a cost per student. Instructional support costs are non-teaching instruction departmental costs, such as clerical support, operating costs, and instructional equipment. Table 6 shows the instructional support cost factors used in the 1993 biennium current level budget and how the factors were derived. Pay plan and weighted inflation were added to the rates used by the Fifty-first Legislature.

Table 5
Funding Formula Factors
1993 Biennium Current Level Budget

Unit	S/F Ratio	Average Faculty Salary	Average Faculty Benefits
MSU	17.63	\$35,086	21.070%
UM	18.38	\$35,086	21.089%
EMC	19.00	\$29,680	22.019%
NMC	15.50	\$28,620	22.214%
WMCUM	15.46	\$28,620	22.126%
MCMST	16.61	\$35,086	21.058%

MONTANA UNIVERSITY SYSTEM

Table 6
Calculation of Instructional Support Rate
University Funding Formula
1993 Biennium Current Level Budget

Unit	FY 91 Rate Before	FY 91 Rate With	- Weighted - Inflation Rates		Current Level Instructional Support Rates	
	Pay Plan	Pay Plan	FY 92	FY 93	FY 92	FY 93
MSU	\$514	\$517.34	0.39%	0.43%	\$519	\$520
UM*	428	431.39	0.81%	1.19%	441	443
EMC	331	334.31	0.74%	1.14%	337	338
NMC	350	351.78	0.31%	0.21%	353	353
WMCUM	379	381.94	0.73%	1.09%	385	386
MCMST	557	559.84	0.36%	0.62%	562	563

*UM includes \$6 per student FTE increase for MBA in Billings program intended by the 1989 legislature to become part of the base.

Support

The Support program budget totals \$75,736,254 for the 1993 biennium, a 3 percent increase from the 1991 biennium. The Support program budget is calculated using student enrollment and a flat rate

per FTE student. Table 7 shows the support cost factors used in the 1993 biennium current level budget and how the factors were derived. Pay plan and weighted inflation were added to the fiscal 1991 rates used by the 1989 legislature.

Table 7
Calculation of Support Program Rate
University Funding Formula
1993 Biennium Current Level Budget

Unit	FY 91 Rate Before	FY 91 Rate With	- Weighted - Inflation Rates		Current Level Support Rates	
	Pay Plan	Pay Plan	FY 92	FY 93	FY 92	FY 93
MSU	\$1,436	\$1,453.76	1.11%	1.56%	\$1,470	\$1,476
UM*	1,424	1,442.36	1.07%	1.53%	1,464	1,470
EMC	1,486	1,503.48	0.47%	0.66%	1,511	1,513
NMC	1,473	1,492.19	0.45%	0.53%	1,499	1,500
WMCUM	1,602	1,622.98	0.52%	0.65%	1,631	1,634
MCMST	1,788	1,809.80	0.94%	1.30%	1,827	1,833

*UM includes \$6 per student FTE increase for MBA in Billings program intended by the 1989 legislature to become part of the base.

Legislative audit costs total \$435,245 in the 1993 biennium. The current level budget anticipates 25 percent of total

audit costs at Eastern, Northern, Western, and Montana Tech will be paid from funds other than the current

MONTANA UNIVERSITY SYSTEM

unrestricted fund and 50 percent will be paid from non-current unrestricted funds at Montana State University and the University of Montana. Total audit costs budgeted from the current unrestricted fund are \$275,485, which are added to the Support program formula calculations. This is consistent with action taken by previous legislatures. Table 8 lists the audit costs added to the Support program in the 1993 biennium.

Table 8
Audit Costs Supported by
Current Unrestricted Funds
1993 Biennium

<u>Unit</u>	<u>FY 1992</u>	<u>FY 1993</u>
MSU	\$25,474	\$25,475
UM	25,474	25,475
EMC	24,018	24,019
NMC	19,652	19,651
WMCUM	20,198	20,197
MCMST	<u>22,927</u>	<u>22,927</u>
TOTAL	\$137,743	\$137,742

Incremental Budgeting

Research, Public Service, and Plant Operations & Maintenance

These programs are budgeted using the incremental method used for most other state agencies. The actual fiscal year 1990 current level expenditures within legislative appropriations are continued into the 1993 biennium with one-time appropriations removed and new space appropriations annualized. Personal services costs have been adjusted to fiscal 1991 appropriated levels.

The legislative practice of budgeting from actual expenditures within the

legislative appropriation has created some consternation in the university community in prior years because they feel good management practices are discouraged. For example, if an institution requires less funding in the Plant program due to a mild winter and transfers funds to Instruction program to purchase equipment, the University System feels the Plant program appropriation should be fully restored before making incremental adjustments rather than adjusting actual expenditures. The current level budget for incremental programs is approximately \$500,000 lower in the 1993 biennium than it would be if the legislature budgeted incremental programs as the greater of actual expenditures or legislative appropriation, which is the method promoted by the university system.

Scholarships and Fellowships

This program budget increases 4.6 percent in the 1993 biennium because of the enrollment increase and the increased number of students eligible for mandatory fee waivers. This budget is developed using 5.75 percent of anticipated registration and in-state incidental fees and 18.45 percent of projected out-of-state incidental fees. This methodology has been used by the legislature since 1981. Projections, based on fiscal 1990 actual expenditures, are also included for mandatory fee waivers for eligible students: Native Americans, veterans, senior citizens, high school honor recipients, war orphans, prisoners of war, custodial, community college honor, and national merit.

Expenditure Summary

Table 9 shows the current level expenditures by budget program for each campus each year of the 1993 biennium.

MONTANA UNIVERSITY SYSTEM

Table 9
Budget Program Expenditures By Campus
Current Level Budget
1993 Biennium

Fiscal 1992

Budget Program	MSU	UM	EMC	NMC	WMCUM	MCMST	SYSTEM	% of TOTAL
Instruction	\$27,782,537	\$23,194,838	\$ 7,449,198	\$4,084,068	\$2,423,580	\$4,751,363	\$ 69,685,584	53.58%
Support	13,927,264	12,150,322	5,042,049	2,365,587	1,514,194	2,805,448	37,804,864	29.07%
Research	612,305	556,724	0	0	0	42,635	1,211,664	0.93%
Public Service	10,752	192,894	243,620	8,891	0	0	456,157	0.35%
Physical Plant	6,057,006	5,585,318	2,211,829	1,185,369	759,821	1,581,729	17,381,072	13.37%
Scholar & Fellow.	1,327,730	1,228,074	382,715	278,375	89,683	201,561	3,508,139	2.70%
Total FY 92	<u>\$49,717,594</u>	<u>\$42,908,170</u>	<u>\$15,329,411</u>	<u>\$7,922,290</u>	<u>\$4,787,278</u>	<u>\$9,382,736</u>	<u>\$130,047,480</u>	<u>100.00%</u>

Fiscal 1993

Budget Program	MSU	UM	EMC	NMC	WMCUM	MCMST	SYSTEM	% of TOTAL
Instruction	\$27,791,994	\$23,211,402	\$ 7,452,519	\$4,084,068	\$2,424,496	\$4,752,886	\$ 69,717,365	53.48%
Support	13,984,007	12,200,015	5,048,692	2,367,151	1,516,941	2,814,586	37,931,390	29.10%
Research	612,326	557,260	0	0	0	42,750	1,212,336	0.93%
Public Service	10,752	192,930	244,417	8,891	0	0	456,990	0.35%
Physical Plant	6,120,758	5,633,108	2,231,632	1,196,234	764,652	1,593,269	17,539,653	13.45%
Scholar & Fellow.	1,327,730	1,228,074	382,715	278,375	89,683	201,561	3,508,139	2.69%
Total FY 93	<u>\$49,847,566</u>	<u>\$43,022,789</u>	<u>\$15,359,975</u>	<u>\$7,934,719</u>	<u>\$4,795,772</u>	<u>\$9,405,051</u>	<u>\$130,365,873</u>	<u>100.00%</u>

Note: Instruction includes supertuition of \$85,000 at MSU and \$398,700 at UM each year.

Revenue

The current unrestricted budget of the university system is funded from state sources (general fund and a six-mill statewide property tax levy), student tuition and fees, and other miscellaneous sources. General fund increases 7.4 percent in the 1993 biennium current level budget because other revenues have declined, have been redirected for other uses, or are no longer available. The statewide six mill levy revenue is expected to decrease slightly from the 1991 biennium. The 1989 legislature authorized the campuses to retain 100 percent of indirect cost reimbursements received by the university system for research grants and contracts beginning in fiscal 1991. In fiscal 1990, indirect cost reimbursements deposited to the current unrestricted fund totaled \$1,213,672. Finally, interest earnings from the education trust were received in fiscal 1990 but are no longer

available as the education trust fund principal has been spent.

Tuition revenue is budgeted to increase 3.7 percent in the 1993 biennium because of higher budgeted enrollment. No tuition rate increase is included in the current level budget.

Other revenue includes federal administrative allowances for student aid programs, and miscellaneous fees and charges. The budget is based on actual fiscal 1990 collections of these other revenue sources.

Table 10 details the revenue sources by campus for each year of the 1993 biennium. Tuition supports approximately 25 percent of the total current unrestricted budget, while the state general fund supports 66 percent and the state six mill levy contributes approximately 9 percent.

MONTANA UNIVERSITY SYSTEM

Table 10
Budgeted Revenue By Source By Campus
Current Level Budget
1993 Biennium

Fiscal 1992

Revenue	MSU	UM	EMC	NMC	WMCUM	MCMST	SYSTEM	% of TOTAL
General Fund	\$33,033,749	\$27,229,296	\$ 9,849,333	\$5,430,445	\$3,316,540	\$6,677,300	\$ 85,536,663	65.77%
Other Current Unrest.								
Tuition and Fees	11,914,050	11,557,412	3,854,957	1,727,379	1,035,137	1,909,530	31,998,465	24.61%
6 Mill Levy	4,458,851	4,012,172	1,567,116	738,703	409,768	700,390	11,887,000	9.14%
Other	<u>310,943</u>	<u>109,290</u>	<u>58,005</u>	<u>25,764</u>	<u>25,834</u>	<u>95,516</u>	<u>625,352</u>	<u>0.48%</u>
Subtotal Other CUR	\$16,683,845	\$15,678,874	\$5,480,078	\$2,491,846	\$1,470,739	\$2,705,436	\$44,510,817	34.23%
Total Revenue	<u>\$49,717,594</u>	<u>\$42,908,170</u>	<u>\$15,329,411</u>	<u>\$7,922,290</u>	<u>\$4,787,278</u>	<u>\$9,382,736</u>	<u>\$130,047,480</u>	<u>100.00%</u>

Fiscal 1993

Revenue	MSU	UM	EMC	NMC	WMCUM	MCMST	SYSTEM	% of TOTAL
General Fund	\$33,072,197	\$27,261,559	\$ 9,847,729	\$5,427,711	\$3,316,623	\$6,685,239	\$ 85,611,056	65.67%
Other Current Unrest.								
Tuition and Fees	11,914,050	11,557,412	3,854,957	1,727,379	1,035,137	1,909,530	31,998,465	24.55%
6 Mill Levy	4,550,377	4,094,528	1,599,284	753,866	418,179	714,766	12,131,000	9.31%
Other	<u>310,943</u>	<u>109,290</u>	<u>58,005</u>	<u>25,764</u>	<u>25,834</u>	<u>95,516</u>	<u>625,352</u>	<u>0.48%</u>
Subtotal Other CUR	\$16,775,370	\$15,761,230	\$5,512,246	\$2,507,009	\$1,479,150	\$2,719,813	\$44,754,817	34.33%
Total Revenue	<u>\$49,847,566</u>	<u>\$43,022,789</u>	<u>\$15,359,975</u>	<u>\$7,934,719</u>	<u>\$4,795,772</u>	<u>\$9,405,051</u>	<u>\$130,365,873</u>	<u>100.00%</u>

Note: Tuition includes supertuition of \$85,000 at MSU and \$398,700 at UM each year.

Issues

Tuition-Montana and Peer Rates

The Board of Regents is responsible for establishing tuition and fee rates for the university system. When comparing peer tuition and fee rates, historically MSU and UM rates have been used as the "barometer" to determine Montana's relative standing. The board increased average in-state tuition and fees at MSU and UM 8.7 percent between fiscal 1989 and 1990 and an additional 1.6 percent between fiscal 1990 and 1991. Total out-of-state tuition and fees were increased 11.8 percent and 0.6 percent during these years.

Table 11 compares the average tuition and fees at MSU and UM to the peer average for the last five years. For fiscal years 1987 to 1990, Montana in-state tuition and fees exceeded the peer average. In fiscal 1991, the peer average in-state tuition and fees increased 13.6 percent, making Montana tuition and fees lower than its peers. While Montana non-resident tuition and fees were at peer levels in fiscal 1987, they steadily declined as a percent of peer level from fiscal 1988 through 1991.

MONTANA UNIVERSITY SYSTEM

Table 11
Montana Tuition and Fees as Percent of Peers
Fiscal Years 1987 to 1991

<u>Description</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
In-State					
Peer Average	\$1,096	\$1,158	\$1,234	\$1,370	\$1,556
Montana (MSU/UM)	\$1,256	\$1,273	\$1,296	\$1,409	\$1,432
MT as % of Peers	114.6%	109.9%	105.0%	102.8%	92.0%
Non-resident					
Peer Average	\$3,050	\$3,304	\$3,601	\$4,521	\$4,775
Montana (MSU/UM)	\$3,074	\$3,090	\$3,115	\$3,482	\$3,505
MT as % of Peers	100.8%	93.5%	86.5%	77.0%	73.4%

Source: Office of the Commissioner of Higher Education

If the Board of Regents increased in-state and non-resident tuition and fee rates by 8.7 percent and 36.2 percent respectively, the increase needed to equal the fiscal 1991 peer average, tuition revenue would increase approximately \$3.8 million annually in the 1993 biennium, assuming no impact on enrollment. Head count enrollment for the Montana University System increased 1,101 students from Fall 1988 to Fall 1989, in spite of an average 8.7 percent tuition and fee increase.

Only the Board of Regents can establish tuition and fee levels. To date, the board has not taken a position regarding tuition and fee increases for the 1993 biennium. The legislature may want to discuss tuition and fee policies with the board during the legislative session.

Updated Peer Values for Funding Formula

The Office of the Commissioner of Higher Education (CHE) surveyed the university and college peer institutions during the 1991 biennium interim to obtain updated student and financial data used in the funding formula. The results of the survey were released in November 1990 and served as a basis for the Board of Regents' 1993 biennium budget modification request.

The CHE survey collected fiscal 1989 data compared to fiscal 1987 data obtained in a similar survey performed by the University Funding Study Committee during the 1989 biennium. Montana's position relative to its peers from both surveys is summarized in Table 12. The updated peer data show that four of the six units' relative position improved between fiscal 1987 and 1989.

MONTANA UNIVERSITY SYSTEM

Table 12
Total Current Unrestricted Expenditures per Student FTE*
Montana and Peer Institutions
Fiscal 1987 and 1989 Data

<u>Unit</u>	<u>-FY 1987 Total Expenditures- Per Student FTE</u>			<u>-FY 1989 Total Expenditures- Per Student FTE</u>		
	<u>Montana</u>	<u>Peer Average</u>	<u>MT as % of Peers</u>	<u>Montana</u>	<u>Peer Average</u>	<u>MT as % of Peers</u>
MSU	\$4,323	\$6,123	71%	\$4,571	\$5,854	78%
UM	4,452	6,123	73%	4,415	5,854	75%
EMC	4,053	4,793	85%	4,160	4,780	87%
NMC	4,404	4,755	93%	5,105	5,532	92%
WMCUM	4,337	4,793	90%	4,611	4,987	92%
MCMST	5,446	7,628	71%	5,352	8,939	60%

*CHE removed Research and Public Service expenditures from fiscal 1989 data prior to calculation. For consistency, comparable expenditures have been removed from fiscal 1987 expenditures.

The LFA current level budget was developed with formula factors determined by the 1989 legislature, updated for 1993 biennium inflation where appropriate. To estimate how the current level budget compares to its peers, the fiscal 1989 peer average expenditures in table 12 were inflated

four percent annually for fiscal years 1989 to 1991 and a weighted amount, net of pay increases, for fiscal years 1992 and 1993. The resulting peer average rates were compared to the Montana fiscal 1992 and 1993 rates derived from the current level budget. This is shown in Table 13.

MONTANA UNIVERSITY SYSTEM

Table 13
Total Expenditures Per Student FTE
Peer Average Actual and Estimated
Montana Actual and Current Level
Fiscal 1989, 1992, 1993

Peer Average

Unit	Actual FY1989	---Estimated--- FY1992	FY1993
MSU	\$5,854	\$6,496	\$6,665
UM	5,854	6,496	6,665
EMC	4,780	5,310	5,453
NMC	5,532	6,145	6,310
WMCUM	4,987	5,542	5,694
MCMST	8,939	9,938	10,216

Montana

Unit	Actual FY1989	-Current Level- FY1992	FY1993
MSU	\$4,571	\$5,191	\$5,205
UM	4,415	5,090	5,104
EMC	4,160	4,543	4,552
NMC	5,105	5,056	5,064
WMCUM	4,611	5,226	5,236
MCMST	5,352	6,133	6,147

Montana as Percent of Peers

Unit	Actual FY1989	---Estimated--- FY1992	FY1993
MSU	78%	80%	78%
UM	75%	78%	77%
EMC	87%	86%	83%
NMC	92%	82%	80%
WMCUM	92%	94%	92%
MCMST	60%	62%	60%

Based on these assumptions, the LFA current level budget would: 1) improve Montana's relative position at the University of Montana; 2) maintain the fiscal 1989 position at Montana State University, Western Montana College of the University of Montana, and the Montana College of Mineral Science and Technology; and 3) reduce Montana's position at Eastern Montana College and Northern Montana College.

PESC Recommendations

The Postsecondary Education Study Committee (PESC) was created by the 1989

legislature to study postsecondary education funding issues. The committee studied issues involving several levels of postsecondary education, including the university system, vocational-technical centers, and community colleges. Two of the PESC's recommendations relate to university funding and are presented below.

Lump Sum

The Montana legislature currently appropriates operating funds to each university unit and vocational-technical center by program. Various units receive a separate appropriation for Instruction, Support, Public Service, Research, Physical Plant, and Scholarships and Fellowships. This method has resulted in the legislature having a significant impact on how the funds are spent by unit and by program. Consequently, the legislature has been the focus of intense lobbying by individual units to increase their appropriation for various purposes. This approach has resulted in a unit-oriented funding policy rather than a system-wide policy.

The PESC recommends a system-wide (lump sum) appropriation to the Board of Regents as an alternative to the unit/center-specific appropriation method. The committee further recommends that the Board should allocate funds to each unit based upon system-wide goals and priorities. The Postsecondary Education Study Committee recommends this policy because it would encourage development of a system-wide perspective, adoption of system-wide needs and goals assessment, and allow for greater management flexibility in times of tight resources.

The recommendation does not affect the legislature's constitutional authority to determine the overall funding requirements of the university system and vocational-technical centers. The current university funding formula, which estimates funding requirements based primarily on expected workload (student enrollment), would be the mechanism used by the legislature to determine the university system budget base. The recommended formula for the

MONTANA UNIVERSITY SYSTEM

vocational-technical centers, which is also based primarily on workload factors, would serve as the mechanism to determine the vocational-technical system budget base.

The PESC recommends the lump sum policy be implemented in the 1993 biennium budget and that the Board of Regents present its proposed budget allocation to university units and vocational-technical centers and the rationale for the allocation to the education appropriations subcommittee during the 1991 session. The PESC has also requested that the Board of Regents present a long-range plan for the university system to the legislature and identify how the Board's system-wide budget request is linked with the long-range plan.

For future biennia, the Postsecondary Education Study Committee recommends the Board of Regents submit a unified budget request in September to the Office of Budget and Program Planning which includes the proposed unit/center allocations with accompanying rationale and justification.

Permanent Joint Committee

In conjunction with the lump sum appropriation policy recommendation, the Postsecondary Education Study Committee recommends that a permanent, formal mechanism to foster communication among the Board of Regents and the legislative and executive branches be formed. In conjunction with recommending a lump sum appropriation policy, the Postsecondary Education Study Committee also recommends a higher degree of accountability from the Board of Regents.

Committee Function and Scope

PESC recommends the permanent committee address the following areas on an ongoing basis:

1. Long Range Plans - The Board of Regents should develop a long range plan for all postsecondary educational institutions under its control. The link between planning and budgeting should be described in

this document. Legislative and executive branch input would be provided through the proposed committee.

2. Clearly Articulated Annual Goals - The board and CHE should develop clearly articulated annual goals for all postsecondary educational institutions under its control. Legislative priorities would also be expressed in the committee.

3. Annual Progress Reports - The Board of Regents should report annually to the committee and the full legislature on its success or failure in meeting its goals.

4. Outcomes Assessment Program - The board, with legislative input, should develop and implement an outcomes assessment program on the university campuses and vocational-technical centers and report annually to the committee of campus/center outcome performance.

5. Budget Allocations - The committee should discuss the annual budget allocations to the university campuses and vocational technical centers and any changes during the year. This would provide an opportunity for the legislature and the executive to express their respective priorities and expectations with the Board of Regents.

While recognizing that neither individual legislators nor a legislative committee can speak for the Montana legislature, the PESC feels the permanent committee concept would provide a conduit for legislative input into the budget allocation process. In addition, participating in the discussion of long and short-range goals and the 'action plan' to achieve those goals will enhance the legislature's understanding of university system needs and assist its evaluation of Board of Regents' requests in future biennia. Finally, the outcome assessment program and annual goal status reporting requirements will increase the system's accountability to the legislature.

MONTANA UNIVERSITY SYSTEM

Committee Membership and Staff Support

PESC recommends the membership and staff support for the permanent committee be as follows: 1) four legislators, two members of the Senate appointed on a bipartisan basis and two members of the House appointed on a bipartisan basis; 2) two regents appointed by the chairman

of the Board of Regents; 3) the Commissioner of Higher Education; and 4) one representative from the executive branch appointed by the Governor.

Committee staff support would be provided by the Office of the Legislative Fiscal Analyst.

Executive Budget Modifications 1993 Biennium

<u>Budget Modifications</u>	<u>FTE FY92</u>	<u>FTE FY93</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
1) Regents Employee Reporting System	2.82	2.82	\$ 191,724		\$ 191,724
2) Regents Priority Funding			8,000,000		8,000,000
Total	2.82	2.82	\$8,191,724		\$8,191,724

Regents Employee Reporting System

The Executive Budget includes \$191,724 in the 1993 biennium for ongoing personnel and operating costs at the six university units associated with providing information to the Regents Employee Reporting System, a centralized personnel reporting system for the Montana University System and vocational-technical centers currently being developed in response to House Bill 26 passed by the 1989 legislature. The Commissioner of Higher Education will become the "owner" of the system when it is implemented July 1, 1991. The executive budget recommendation for the commissioner's office costs is included in the Commissioner of Higher Education narrative.

Regents Priority Funding

The Executive Budget includes \$8,000,000 general fund in the 1993 biennium for regent identified priorities. The Governor recommends that the Board of Regents determine if the funds should be allocated to individual units or utilized to implement system-wide objectives.

The Executive Budget includes the budget modifications listed above. The Board of Regents has indicated it plans to present several budget modification requests to the 1991 legislature. The requests are summarized in the Board of Regents Budget Modification table in the Commissioner of Higher Education executive comparison narrative.



LONG RANGE PLANNING

LONG RANGE BUILDING PROGRAM

Agency Description

In 1963, the legislature enacted the Long Range Building program (LRBP) to provide funding for construction, alteration, repair, and maintenance of state-owned buildings and grounds. The program was developed in order to present a single, comprehensive, and prioritized plan for allocating the state's resources for the purpose of capital construction and repair of state-owned facilities. Sections 17-7-201 through 17-7-204 and 18-2-101

through 18-2-105, MCA, describe the program.

Long Range Building Recommendations

Table 1 shows the Long Range Building program projects for the 1993 biennium included in the Executive Budget. This table lists the projects by agency, total costs for each agency, and the proposed funding sources for the projects.

Table 1
Long-Range Building Program
1993 Biennium
(Thousands)

Agency	Capital Projects Fund	State Special Revenue	Federal Special Revenue	Other Revenue	Bond Proceeds	Total
Fish, Wildlife & Parks						
State Parks		\$ 3,799	\$1,125			\$ 4,924
Habitat Acquisition		4,923				4,923
Fishing Access-Acquis.		881				881
Fishing Access-Maint.		286	858			1,144
Other Projects		<u>1,712</u>	<u>313</u>			<u>2,025</u>
Total		<u>\$11,601</u>	<u>\$2,296</u>			<u>\$ 13,897</u>
Institutions						
Prison Expansion	\$ 878				\$19,361	\$ 20,239
Other Projects	<u>584</u>	<u>336</u>				<u>920</u>
Total	<u>\$1,462</u>	<u>\$ 336</u>			<u>\$19,361</u>	<u>\$ 21,159</u>
Military Affairs						
Armory Additions	\$ 150		\$16,155			\$ 16,305
Other Projects	<u>210</u>		<u>1,330</u>			<u>1,540</u>
Total	<u>\$ 360</u>		<u>\$17,485</u>			<u>\$ 17,845</u>
University System						
Design Study	\$1,842			\$5,658		\$ 7,500
MSU-Engineering Bldg.					17,734	17,734
UM-Bus. Admin. Bldg					12,558	12,558
EMC-Apsaruke Hall					1,228	1,228
NMC-Gymnasium					8,000	8,000
Other Projects	<u>2,125</u>			<u>3,949</u>		<u>6,074</u>
Total	<u>\$3,967</u>		<u>\$0</u>	<u>\$9,607</u>	<u>\$39,520</u>	<u>\$ 53,094</u>
All Other Agencies	<u>\$1,842</u>	<u>\$ 1,971</u>	<u>\$ 876</u>	<u>\$ 323</u>		<u>\$ 5,012</u>
Total	<u>\$7,631</u>	<u>\$13,908</u>	<u>\$20,657</u>	<u>\$9,930</u>	<u>\$58,881</u>	<u>\$111,007</u>

LONG RANGE BUILDING PROGRAM

Following are descriptions of major projects included in the Executive Budget for each of the agencies.

Major Projects

Fish, Wildlife, and Parks

The Department of Fish, Wildlife, and Parks is requesting \$4.9 million authority for maintenance and development of several of the 60 state parks for which the department is responsible. This project will be partially funded from the federal Dingell-Johnson and Pittman-Robertson funds, with various state special revenue fund accounts providing the balance of the funding. However, the department has not yet determined a funding source for approximately \$2.9 million of the projects' costs.

An additional \$4.9 million is requested for wildlife habitat acquisition. A percentage of certain hunting license fees are earmarked for wildlife habitat acquisition under legislation enacted during the 1987 session (Section 87-1-242, MCA).

The department is requesting \$881,000 to acquire additional fishing access sites. Section 87-1-605, MCA, requires the department to use a percentage of certain fees paid for fishing licenses to acquire fishing accesses for recreational use.

Approximately \$1.1 million is being requested for fishing access site maintenance, funded from the department's general license account and federal Dingell-Johnson and Pittman-Robertson funds.

Institutions

The Executive Budget includes \$20.2 million for expansion of the men's prison at Deer Lodge. The proposal includes construction of two close/high security housing units (a 96-bed unit and a 120-bed unit) and several support facilities, such as a guard tower, multi-purpose building, and dining/kitchen. The cost estimate for this project is based on the use of

inmate labor for a portion of the construction. The department estimates that the use of inmate labor will reduce total project costs by approximately \$2 million.

Funding for this project comes from two sources. Long range building cash account funds (\$878,000) will be used for the design study. A general obligation bond will be issued to finance construction costs. The department anticipated that construction on the project will not begin until fiscal 1993.

There are no funds recommended for a women's prison in the LRBP. The department has invited Montana cities to submit bids for this project to be built with local and/or private funds. The department will then enter into a lease arrangement with the selected city for use of the facility. The estimated cost of constructing the 200-bed women's prison is approximately \$12 million. Estimated general fund payments for a lease/purchase agreement for this facility are \$1.47 million per year. Since the department does not anticipate this facility will be completed by the end of fiscal 1993, it did not request funds for this purpose in its 1993 biennium budget.

Military Affairs

The department is requesting authority for \$16.3 million in additions and alterations to 19 state-owned armories throughout the state. The funding is nearly all federal funds with the capital projects fund paying \$150,000 of the costs.

University System

The Executive Budget proposes four major construction projects for the university system:

- 1) Montana State University - \$17,734,460 for a new engineering/physical science complex, which will serve approximately 2,500 students and 150 staff;
- 2) University of Montana - \$12,558,395 for a new School of Business

LONG RANGE BUILDING PROGRAM

administration building, which will serve approximately 1,181 students and 78 faculty;

3) Eastern Montana College - \$1,228,000 to renovate a vacant residence hall, making it available for academic and administrative functions of the college; and

4) Northern Montana College (NMC) - \$8,000,000 for construction of the gym. There has been major deterioration of the structure and the pool area has been closed for safety reasons.

The majority of funding for the first three projects will be provided by a new \$31.5 million general obligation bond issue. The three university units will be required to provide 15 percent (\$5.7 million) of the project costs from other sources such as private donations.

The gym at NMC is included in the Executive Budget recommendation but is not part of the bonding proposal. It is not in the Board of Regents' proposed capital project budget. No funding is included in the Executive Budget for the NMC project. NMC is currently developing alternative funding sources, including student fee increases.

Long Range Building Funding

The Executive Budget proposes both "cash" and "bonded" funding for Long Range Building projects during the 1993 biennium.

Most of the "cash" portion is funded from the requesting agencies' special

revenue accounts. For example, \$11.6 million in DFWP projects will be funded with "cash" from department accounts. However, the cash portion of construction projects for agencies with no earmarked revenue accounts is funded from the capital projects account.

Capital Projects Account

Under current law, the capital projects account receives 29.11 percent of the taxes collected on cigarette sales. It also retains the interest earned on the invested cash in the account.

Table 2 shows the anticipated cash available in the account for the 1993 biennium. The revenue projections include the additional two cent cigarette tax enacted by the 1989 legislature. Also included is \$1.0 million in funds returned by the Mansfield Foundation. These funds were appropriated by the 1983 legislature from the LRBP bond proceeds account for a memorial in Lake County in honor of Senator Mike Mansfield. The legislature stipulated that the funds could be used only for construction of the center. Since the foundation has determined that the center will not be built in the foreseeable future, it has agreed to return the appropriated funds to the state. The foundation does not plan to return the interest it has earned on these funds since April 1985 when it received the \$1.0 million.

Operating expenses for the Architecture and Engineering Division (Department of Administration) are also funded from this account.

LONG RANGE BUILDING PROGRAM

Table 2
Long Range Building Capital Projects Account
1993 Biennium

Estimated Beginning Cash Balance	\$1,159,125
Revenues	
Cigarette Tax	\$6,841,123
Interest	629,150
Supervisory Fees & Other	142,000
Mansfield Center Funds	<u>1,000,000</u>
Funds Available	\$9,771,398
A & E Division Expenditures	\$1,341,847
Funds Available for Capital Projects	<u>\$8,429,551</u>

Bond Proceeds

The Executive Budget recommends that \$50,881,960 of LRBP general obligation bonds be issued to finance the men's prison and three university construction projects. If approved, two separate bonds would be issued. A bond issue for approximately \$20 million will be needed for the prison expansion, which is anticipated to begin in fiscal 1993. The bonds for the \$31 million for the university construction projects would not be issued until fiscal 1994.

Table 3 shows the remaining principal of long range building bonds that are currently outstanding. These totals include only the bonds that are being repaid with general fund and do not include other general obligation bonds which are being repaid with other state funds. This table also shows the impact of the bonds proposed in the Executive Budget on the state's indebtedness.

Table 3
LRBP Bond Principal Balances
(Thousands)

<u>Fiscal Year</u>	<u>Series 1983 A</u>	<u>Series 1983 B</u>	<u>WMC</u>	<u>New Bonds</u>	<u>Total General Fund Debt</u>
1990	\$42,719	\$6,760	\$1,170		\$50,649
1991	42,755	680	1,100		44,535
1992	37,008		1,025		38,033
1993	29,831		940	\$20,000	50,771
1994	21,227		850	50,538	72,615
1995	12,648		755	49,326	62,729
1996	3,048		650	48,023	51,721
1997	30		550	46,622	47,202
1998	70		425	45,115	45,610
1999	80		300	43,496	43,876
2000	75		150	41,756	41,981

LONG RANGE BUILDING PROGRAM

Table 4 shows the debt service payments for the current long range building bonds and for the proposed new bond issues. The existing bonds have an average interest rate of 8.875 percent. The interest rate used to calculate debt service for the new bonds is 7.5 percent. Debt service payments for the new bonds are projected based on an "even-payment" method with semi-annual interest payments and a partial princi-

pal payment once a year. The legislature may wish to finance these bonds with a delayed debt service payment from 1993 until fiscal 1996 when the current Series A bonds will be retired. This would keep debt service payments at approximately the same level until 2000. However, total interest costs of the new bonds would be higher with this financing method.

Table 4
Long Range Building Program Bonds
Bond Debt Service
(Thousands)

<u>Fiscal Year</u>	<u>Series 1983 A</u>	<u>Projects</u>	<u>Totals</u>	<u>New Bonding</u>	<u>New Totals</u>
1990	\$ 3,850	\$6,373	\$10,223		\$10,223
1991	3,841	6,516	10,357		10,357
1992	9,356	863	10,219		10,219
1993	10,197	161	10,358	\$ 750	11,108
1994	10,910	160	11,070	3,124	14,194
1995	10,117	158	10,275	5,003	15,278
1996	10,315	161	10,476	5,003	15,479
1997	3,156	148	3,304	5,003	8,307
1998	(40)	164	164	5,003	5,167
1999		154	154	5,003	5,157
2000		168	168	5,003	5,171

Note that Table 3 and Table 4 show outstanding principal and debt service payments only through fiscal 2000. Payments on existing debt end in fiscal 2001. Payments on the proposed new bonds will continue through fiscal 2014.

Issues

Debt Service Payments

Current statutes required a complicated procedure for payment of general fund costs of debt service on general obligation bonds.

While statutes require that debt service payments be appropriated from the general fund, they also earmark revenue to a debt service account to make these payments and require that bond

redemption and interest payments be accumulated in the account.

Section 17-5-802(2), MCA, states, "Money transferred for the payment of bonds and notes must be deposited in the debt service account." However, Section 17-5-405(5), MCA, says, "Money at any time received in the debt service account in excess of the principal, interest and reserve requirement...(4) shall be transferred to the general fund."

To comply with these seemingly contradictory laws, the Department of Administration has established the following procedure to pay debt service costs:

1) Cigarette tax receipts earmarked for debt service are deposited in the debt service account as they are collected. Prior to fiscal 1992, a portion of the

LONG RANGE BUILDING PROGRAM

individual income tax and corporation tax were also deposited in this account.

2) The department then transfers the revenues to the general fund.

3) Each month, approximately one-twelfth of the money for the amount needed to pay debt service is transferred back to the same debt service account for payment of principal and interest due to bondholders. This transfer is done through the general fund appropriation established in Section 17-5-802(2), MCA.

Since a general fund appropriation is required by law to pay the debt service and since excess cash collected in the debt service account must be transferred to the general fund, the legislature may want to abolish the debt service account, reducing the excess accounting and paperwork the department must go through to comply with existing law.

Funding Sources

Section 17-7-204, MCA, requires the Executive Budget to identify the funding source for every recommended LRBP project. The Executive Budget has not identified the funding source for \$2.9 million of DFWP projects or the \$8 million gymnasium at NMC. In addition, the Executive Budget assumes that the University of Montana, Montana State University, and Eastern Montana College will provide \$5.7 million for funding construction projects at their campuses from private donations or other funds.

Fishing Access Sites

Current law requires that 75 percent of the revenue deposited in the fishing access site (FAS) account be used to acquire sites and the remaining 25 percent be used to operate, maintain, and develop these sites. As the number of access sites acquired has increased, the revenue earmarked for their maintenance has become insufficient.

To date, the state has acquired approximately 300 fishing access sites. During the 1980's, an average of 12 new access sites were purchased per year. Annual maintenance, operation, and development costs for each site averages \$5,533 per year. The 25 percent of FAS revenue earmarked for site maintenance (\$0.1 million in fiscal 1990) is not enough to pay the cost of maintaining all 300 sites. The 1991 biennium budget to operate, maintain, and develop fishing access sites is \$1.66 million. Of this, \$549,000 is federal funds, \$194,000 is FAS funds, and \$921,000 is from DFWP general license account.

The Executive Budget recommends purchasing an additional \$881,000 of fishing access sites in the 1993 biennium. The legislature may want to consider amending current law so FAS revenue could be used for either acquisition or maintenance. This would allow the legislature to balance acquisition and maintenance needs.

RESOURCE INDEMNITY TRUST INTEREST ACCOUNTS

Three accounts which receive a portion of the Resource Indemnity Trust interest are used to make grants and loans for natural resource projects: 1) the water development account; 2) the renewable resource development account; and 3) the reclamation and development account. All grants from these accounts require legislative approval.

The following table shows anticipated revenues to and LFA current level allocations from the three accounts in the 1993 biennium. The balance remaining in each account is available to fund projects.

Table 1
Resource Indemnity Trust Interest Accounts
1993 Biennium

	<u>Water Development</u>	<u>Renewable Resources</u>	<u>Reclamation & Development</u>
Beginning Fund Balance	\$ 673,435	\$ (26,252)	\$ 575,061
Projected Revenues			
RIT Interest	\$5,036,919	\$1,343,179	\$7,723,277
Coal Tax	365,778	365,778	
Loan Repayments	950,670	129,870	
Project Revenues	335,400		
Administrative Fees	50,000		
Interest			
Total Revenues	<u>\$6,738,767</u>	<u>\$1,908,827</u>	<u>\$7,723,277</u>
Total Available	<u>\$7,412,202</u>	<u>\$1,882,575</u>	<u>\$8,298,338</u>
Disbursements (LFA Current Level)			
Debt Service	\$1,229,694	\$380,231	
Water Courts	916,964		
DNRC	2,894,518	397,251	2,931,305
Reserved Water Rights	0	0	446,330
State Lands	0	0	1,169,927
EQC	<u>0</u>	<u>0</u>	<u>26,451</u>
Total Disbursements	<u>\$5,041,176</u>	<u>\$ 777,482</u>	<u>\$4,574,013</u>
Available for Grants	\$2,371,026	\$1,105,093	\$3,724,325

Water Development Account - The water development account was created to advance the beneficial use of water by financing water development projects and activities. Revenue sources include 30 percent of RIT interest, 0.475 percent

of coal severance tax collections, loan repayments, income from state-owned water projects and administrative fees. During the 1993 biennium, approximately \$2.37 million will be available for

RESOURCE INDEMNITY TRUST INTEREST ACCOUNTS

grants, based on LFA revenue estimates and current level budgets.

Since the Executive Budget projects slightly lower revenue deposited in the account and uses \$1.1 million more of the funds to finance state agencies budgets than the LFA current level, it estimates that \$1.4 million will be available for grants during the biennium.

The Executive Budget has prioritized 17 projects funded from this account, totalling \$1.091 million over the biennium. The prioritized projects involve four irrigation districts, four conservation districts, two state agencies, and seven other water users/suppliers.

Renewable Resource Development Account - The 1975 legislature established the renewable resource development loan and grant program to provide financial assistance to public entities for development and protection of renewable natural resources. The grant program is financed from the renewable resource development account, which receives 8 percent of the RIT interest, 0.475 percent of coal severance tax collections, interest on bond proceeds, and loan repayments. The projected amount available for grants during the 1993 biennium is \$1.11 million based on LFA revenue estimates and current level budgets.

The Executive Budget uses \$44,746 more of these funds to finance state

agencies' operations than the LFA current level. It also projects lower revenue, resulting in an estimated \$977,573 available for grants during the 1993 biennium.

The Executive Budget has prioritized proposed grants totalling \$1.2 million from this account during the biennium to 17 public entities, including two state agencies, Montana State University, five cities, two counties, four conservation districts, one irrigation district, and one school district.

Reclamation and Development - The reclamation and development account is funded with 46 percent of RIT interest and is used to fund projects to repair, reclaim, or mitigate damage caused by natural resource extraction. During the 1993 biennium, approximately \$3.72 million will be available for grants, based on LFA revenue estimates and current level budgets.

The Executive Budget estimates that \$3.2 million will be available for grants, since it uses \$459,762 more revenue from this account to fund state agencies' budgets than the LFA current level.

The Executive Budget has prioritized 22 grants totalling \$4.46 million from this account over the biennium. Among the recommended grantees are three conservation districts, four state agencies, two Indian tribes, one irrigation district, one city/county government, two counties, Montana State University, and three other public entities.

OIL OVERCHARGE FUNDS

Oil overcharge funds are allocated to the state by the federal Department of Energy as a result of federal court action requiring certain producers to pay restitution for violation of federal oil price and allocation controls between 1973 and 1981. These monies cannot be used to replace state funds and may only be used for authorized programs. There are five state programs approved for use of these funds:

Department of Social & Rehabilitation Services

- Weatherization Program
- Low Income Energy Assistance Program (LIEAP)

Department of Natural Resources & Conservation

- State Energy Conservation Program (SECR)

- Energy Extension Service (EES)
- In-State Conservation Program (ICP)

In the 1989 session, the legislature appropriated \$3.2 million of oil overcharge funds in House Bill 563 for projects which met the criteria for the use within these five programs. Not all the funds appropriated will be expended in the 1991 biennium. Therefore, the remaining fund balance at the end of fiscal 1991 is projected to be \$1.4 million. In addition, additional oil overcharge funds of approximately \$725,000 are anticipated in the 1993 biennium, making approximately \$2.2 million available for appropriation during the 1993 biennium. Table 1 shows the anticipated oil overcharge funds that will be available for appropriation.

Table 1
Oil Overcharge Funds
(Thousands)

	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>
Beginning Balance	\$2,203	\$1,446	\$1,822
Proceeds	475	376	349
Investment Earnings	<u>130</u>	<u>0</u>	<u>0</u>
Total Funds Available	<u>\$2,808</u>	<u>\$1,822</u>	<u>\$2,171</u>
Disbursements	<u>\$1,362</u>		
Ending Balance	<u>\$1,446</u>	<u>\$1,822</u>	<u>\$2,171</u>

The Executive Budget has recommended eight projects totalling \$2.226 million for the 1993 biennium funded with oil overcharge money. These projects listed in priority order established in the Executive Budget are:

- 1) Low-income weatherization (SRS) - \$600,000
- 2) Low-income energy assistance (SRS) - \$100,000

- 3) Weed control (Department of Agriculture) - \$200,000
- 4) Alternative fuel demonstration (DNRC) - \$200,000
- 5) Energy conservation technical assistance (DNRC) - \$126,000
- 6) Agricultural energy conservation (DNRC) - \$100,000
- 7) Low-income fuel oil tank assistance (SRS) - \$200,000
- 8) Institutional conservation (DNRC) - \$700,000

CULTURAL & AESTHETICS GRANT PROGRAM

Cultural and Aesthetics Grant Program

Funding for the Cultural and Aesthetics Grant program comes from the interest earned on the parks acquisition trust, which receives 1.9 percent of total coal severance tax collections. One-third of the interest earned on the trust is earmarked for "protection of works of art in the state capitol and other cultural and aesthetic projects".

This program began in 1977, when the legislature appropriated \$50,000 of this interest for restoration and preservation of murals in the capitol. From fiscal 1978 through fiscal 1983, the program was administered by the Montana Historical Society. As the

trust and the interest earnings grew, applications for the program increased. The 1983 legislature transferred the program to the Montana Arts Council, which developed a formal application process. An advisory panel reviews each application and prepares a recommendation for the legislature, ranking each application and suggesting a grant amount. The legislature makes the final decision on all grants, appropriating the funds in a separate bill.

Table 1 details the total appropriations, actual expenditures, and number of projects funded since the program began.

TABLE 1
History of Cultural and Aesthetic Projects

<u>Biennium</u>	<u>Appropriated</u>	<u>Expended</u>	<u>Projects</u>
1979	\$50,000	\$50,000	1
1981	140,000	140,000	3
1983	641,680	601,477	15
1985	823,479	811,116	39
1987	1,476,511	1,442,870	63
1989	1,211,817	1,208,217	52
1991	1,298,788	N/A	74

Table 2 presents the Montana Arts Council's recommendations for grants during the 1993 biennium. The Council reviewed 129 applications requesting \$3,638,854 in grants. The Council is recommending 94 projects totalling \$1,258,080. The Executive Budget also

includes \$125,509 of these funds in the Montana Arts Council budget during the 1993 biennium.

Based on current revenue estimates, \$1.315 million in interest earnings from the trust for this program will be available during the 1993 biennium.

CULTURAL & AESTHETICS GRANT PROGRAM

TABLE 2
Cultural & Aesthetic Grants, 1993 Biennium
Montana Arts Council Recommendations

<u>Name of Project</u>		<u>FY 1992- 1993 Requested</u>	<u>CAPAC Recommended</u>
1	MSU Shakespeare in the Parks	\$30,000	\$27,500
2	Montana Arts Council	73,628	50,000
3	Montana Inst of the Arts Fund	20,500	15,000
4	Helena Presents	75,000	30,000
5	Vigilante Theater Company	28,000	15,500
6	Montana Performing Arts Cnsrt	75,400	40,000
7	Yellowstone Art Center	75,000	50,000
8	UM Montana Repertory Theater	80,000	50,000
9	MSU KUSM Public Television	64,760	32,500
10	Native American Cultural Inst.	12,000	9,000
11	Alberta Bair Theater Corp.	30,000	10,000
12	Montana Historical Society	73,400	50,000
13	Hockaday Center for the Arts	20,000	15,000
14	Montana Arts Council	70,000	35,000
15	Young Audiences of Western MT	16,145	10,000
16	Missoula Children's Theater	94,000	35,000
17	Montana Art Gallery Dir Assoc	34,339	25,000
18	International Choral Festival	15,000	5,000
19	Montana Comm for the Humanities	50,000	25,000
20	Watershed Foundation	70,000	27,500
21	Town of Sunburst	50,032	10,000
22	Dull Knife Memorial Coll Lib.	30,000	20,000
23	Aleph Movement Theater	38,755	10,000
24	Beall Park Art Center	4,100	3,500
25	Custer County Art Center	21,505	15,000
26	Bigfork Center for the Perf. Arts	28,738	15,000
27	Missoula Children's Theater	53,725	15,000
28	Northern Lights Institute	16,150	10,000
29	Helena Civic Center	20,000	10,000
30	Western Heritage Center	22,110	15,000
31	Paris Gibson Square	7,500	5,000
32	Montanan's for Quality TV	14,800	10,000
33	Fort Peck Fine Arts Council	52,154	20,000
34	Montana Indian Art & Cult Assn	22,100	10,000
35	Great Falls Symphony Assn.	12,000	10,000
36	String Orch. of the Rockies	46,440	10,000
37	Yellowstone Chamber Players	18,490	10,000
38	Blackfeet Community College	4,300	2,000
39	Fox Comm. for the Performing Arts	25,000	10,000
40	Hellgate Writers, Inc.	56,825	13,000
41	Alberta Bair Theater Corp.	10,000	10,000
42	Bigfork Center for the Perf. Arts	37,500	20,000
43	Glacier Orchestra and Chorale	60,000	25,000
44	Beall Park Art Center	15,000	10,000
45	Billings Symphony Society	15,000	15,000
46	Yellowstone Art Center	25,000	20,000

CULTURAL & AESTHETICS GRANT PROGRAM

47	Clack Museum Foundation	40,000	15,000
48	Gallatin County Historical Society	10,000	10,000
49	MSU Shakespeare in the Parks	20,000	20,000
50	Great Falls Symphony Assn.	42,520	25,000
51	Bitterroot Public Library Fund	19,770	19,770
52	Carbon County Arts Guild	22,742	5,000
53	Montanan's for Quality TV	18,543	10,000
54	Grandstreet Theater	15,000	10,000
55	Powder River Historical Soc.	2,064	2,000
56	Livingston Depot Foundation	29,800	12,000
57	Montana Ballet Company	10,000	7,500
58	Garden City Ballet	18,000	7,500
59	Montana Ag Cntr of Ft Benton	4,000	4,000
60	Garfield County Library	7,500	5,000
61	Custer County Art Center	15,336	7,000
62	Helena Symphony Society	20,000	10,000
63	Missoula Symphony Association	10,501	5,000
64	Montana Assn of Symphony Orch	47,500	10,000
65	Montana State Theater Assn.	5,000	3,000
66	Montana Public TV Association	44,087	10,000
67	Montana Dance Arts Assn.	6,000	5,000
68	Billings Preservation Society	36,469	30,000
69	Daly Mansion Preserv. Trust	55,000	15,000
70	Blackfeet Community College	3,915	2,000
71	Growth Thru Art, Inc.	27,420	10,000
72	Broadway 215	13,700	4,000
73	Very Special Arts Montana	19,000	10,000
74	Celebrate Missoula	31,152	10,000
75	Copper Village Museum	20,000	5,000
76	Custer County Art Center	21,000	3,000
77	Gallatin County Historical Society	4,500	2,500
78	Treasure County 89'ers	3,000	3,000
79	Granite County Museum/Cult Cnt	40,160	5,000
80	Montana Alliance for Arts Ed	6,850	5,000
81	Stevensville Museum	3,000	2,500
82	Bitterroot Community Band	1,706	1,000
83	Montana Puppet Guild	6,997	2,000
84	Daly Mansion Preserv. Trust	38,000	15,000
85	MSU School of Art	57,250	18,000
86	Garnet Preservation Assn.	8,000	5,000
87	Big Sky Assn for the Arts	40,000	10,000
88	Dillon Depot Restoration Committee	2,700	2,000
89	UM KUFM Radio	6,000	3,000
90	Biddle Community Heritage Cntr	19,000	1,000
91	Bitterroot Valley Public TV	30,000	5,000
92	Prairie County Museum	3,921	1,000
93	Bannack State Park	2,310	2,310
94	Milwaukee Rode Cultural Proj.	15,416	2,500
TOTAL			<u>\$1,258,080</u>

INDEX

INDEX

PAGE

Administration, Department of	A-104
Agriculture, Department of	C-95
Arts Council	D-34
Auditor, Legislative	A-1
Auditor, State	A-58
Board of Crime Control	A-168
Board of Public Education	E-1
Chiropractic Legal Panel	A-17
Commerce, Department of	C-111
Commissioner of Higher Education	F-1
Commissioner of Political Practices	A-56
Community Colleges	F-19
Consumer Counsel	A-15
Council, Legislative	A-5
Cultural and Aesthetics Grants	G-10
Deaf and Blind, School for the	E-5
Environmental Quality Council	A-12
Family Services, Department of	B-110
Fiscal Analyst, Legislative	A-4
Fish, Wildlife, and Parks, Department of	C-50
Governor, Office of the	A-34
Health and Environmental Sciences, Department of	B-1
Higher Education	
Agricultural Experimental Station	F-48
Bureau of Mines	F-59
University System	F-64

Commissioner of Higher Education	F-1
Community Colleges	F-19
Cooperative Extension Service	F-54
Fire Services Training School	F-61
Forestry and Conservation Experimental Station	F-57
Vocational-Technical Centers	F-33
Highways, Department of	A-207
Highway Traffic Safety	A-174
Historical Society	D-44
Institutions, Department of	D-1
Center for the Aged	D-21
Central Operations	D-9
Chemical Dependency Division	D-26
Corrections Division	D-12
Developmental Disability Division	D-28
Mental Health Division	D-19
Eastmont Training Center	D-30
Montana Developmental Center	D-30
Montana State Hospital	D-20
Montana State Prison	D-14
Swan River Youth Forest Camp	D-12
Veteran's Home	D-32
Women's Correctional Center	D-13
Judiciary	A-16
Justice, Department of	A-176
Labor and Industry, Department of	B-45
Lands, Department of State	C-6
Legislative Auditor	A-1
Legislative Council	A-5

Legislative Fiscal Analyst	A-4
Library, State	D-36
Livestock, Department of	C-81
Long-Range Building	G-1
Military Affairs, Department of	A-157
Natural Resources and Conservation, Department of	C-22
Oil Overcharge Funds	G-9
Political Practices, Commissioner of	A-56
Public Education, Board of	E-1
Public Employees Retirement Division	A-151
Public Instruction, Office of	E-15
Public Service Regulation	C-47
Reorganizations	
Natural Resources Agencies	C-1
Department of Transportation	A-
Resource Indemnity Trust Interest Accounts	G-7
Revenue, Department of	A-74
School for the Deaf and Blind	E-5
Secretary of State	A-47
Social and Rehabilitation Services, Department of	B-63
State Auditor	A-58
State Health Insurance	A-134
State Lands, Department of	C-6
State Library	D-36
State Compensation Mutual Insurance Fund	A-145
Superintendent of Public Instruction	E-15
Supreme Court	A-16
Teachers' Retirement Board	A-154
University System (See Higher Education)	F-64

Veteran's Affairs	A-166
Vocational-Technical Centers	F-33
Vocational Education, Montana Council on	E-13
Workers' Compensation (State Fund)	A-145

400 copies of this public document were published at an estimated cost of \$23.75 per copy, for a total cost of \$9500.00, which includes \$9500.00 for printing and \$0.00 for distribution.

